SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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

FORM 10-K

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

For the fiscal year ended: December 31, 2020

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

For the transition period from _________ to _________

Commission File No. 000-56128

1847 HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Delaware	**38-3922937**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
590 Madison Avenue, 21st Floor, New York, NY	**10022**
(Address of principal executive offices)	(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: Common Shares

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

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

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 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 emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

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

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

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

As of June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's common shares held by non-affiliates (based upon the closing price of such shares as reported on OTC Pink Market) was approximately $2,421,844. Shares held by each executive officer and director and by each person who owns 10% or more of the outstanding common shares have been excluded from the calculation in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of April 14, 2021, there were a total of 4,842,851 shares of the registrant's common stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

1847 Holdings LLC

Annual Report on Form 10-K
Year Ended December 31, 2020

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INTRODUCTORY NOTES

Use of Terms

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

Special Note Regarding Forward-Looking Statements

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

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

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- extraordinary or force majeure events affecting the business or operations of our businesses.

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

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

PART I

ITEM 1. BUSINESS.

OUR BUSINESS

Overview

We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than $50 million, in a variety of different industries headquartered in North America. To date, we have completed five acquisitions and distributed the stock of one of the acquired companies to our shareholders.

In March 2017, our subsidiary 1847 Neese Inc., or 1847 Neese, acquired Neese, Inc., or Neese. Headquartered in Grand Junction, Iowa and founded in 1991, Neese is an established business specializing in providing a wide range of land application services and selling equipment and parts, primarily to the agricultural industry, but also to the construction and lawn and garden industries.

In April 2019, our subsidiary 1847 Goedeker Inc., or Goedeker, acquired substantially all of the assets of Goedeker Television Co., or Goedeker Television, a one-stop e-commerce destination for home furnishings, including appliances, furniture, home goods and related products. On October 23, 2020, we distributed all of the shares of Goedeker that we held to our shareholders. As a result of this distribution, Goedeker is no longer a subsidiary of our company.

In May 2020, our subsidiary 1847 Asien Inc., or 1847 Asien, acquired Asien's Appliance, Inc., or Asien's. Asien's has been in business since 1948 serving the North Bay area of Sonoma County, California. It provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing. Its main focus is delivering personal sales and exceptional service to its customers at competitive prices.

In September 2020, our subsidiary 1847 Cabinet Inc., or 1847 Cabinet, acquired Kyle's Custom Wood Shop, Inc., an Idaho corporation, or Kyle's. Kyle's is a leading custom cabinetry maker servicing contractors and homeowners since 1976 in Boise, Idaho and the surrounding area. Kyle's focuses on designing, building, and installing custom cabinetry primarily for custom and semi-custom builders.

In March 2021, our subsidiary 1847 Wolo Inc., or 1847 Wolo, acquired Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation, which we collectively refer to as Wolo. Headquartered in Deer Park, New York and founded in 1965, Wolo designs and manufactures horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), and offers vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles.

Through our structure, we offer investors an opportunity to participate in the ownership and growth of a portfolio of businesses that traditionally have been owned and managed by private equity firms, private individuals or families, financial institutions or large

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conglomerates. We believe that our management and acquisition strategies will allow us to achieve our goals to begin making and growing regular distributions to our common shareholders and increasing common shareholder value over time.

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

Market Opportunity

We acquire and manage small businesses, which we characterize as those that have an enterprise value of less than $50 million. We believe that the merger and acquisition market for small businesses is highly fragmented and provides significant opportunities to purchase businesses at attractive prices. For example, according to GF Data, platform acquisitions with enterprise values greater than $50.0 million commanded valuation premiums 30% higher than platform acquisitions with enterprise values less than $50.0 million (8.2x trailing twelve month adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) versus 6.3x trailing twelve month adjusted EBITDA, respectively).

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

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

We believe that our management team's strong relationships with business brokers, investment and commercial bankers, accountants, attorneys and other potential sources of acquisition opportunities offers us substantial opportunities to purchase small businesses. See *"—Our Manager—Key Personnel of our Manager"* for more information about our management team.

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

Our Strategy

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

Unlike buyers of small businesses that rely on significant leverage to consummate acquisitions (as demonstrated by the data below), we plan to limit the use of third party (i.e., external) acquisition leverage so that our debt will not exceed the market value of the assets we acquire and so that our debt to EBITDA ratio will not exceed 1.25x to 1 for our operating subsidiaries. We believe that limiting leverage in this manner will avoid the imposition on stringent lender controls on our operations that would otherwise potentially hamper the growth of our operating subsidiaries and otherwise harm our business even during times when we have positive operating cash flows. Additionally,

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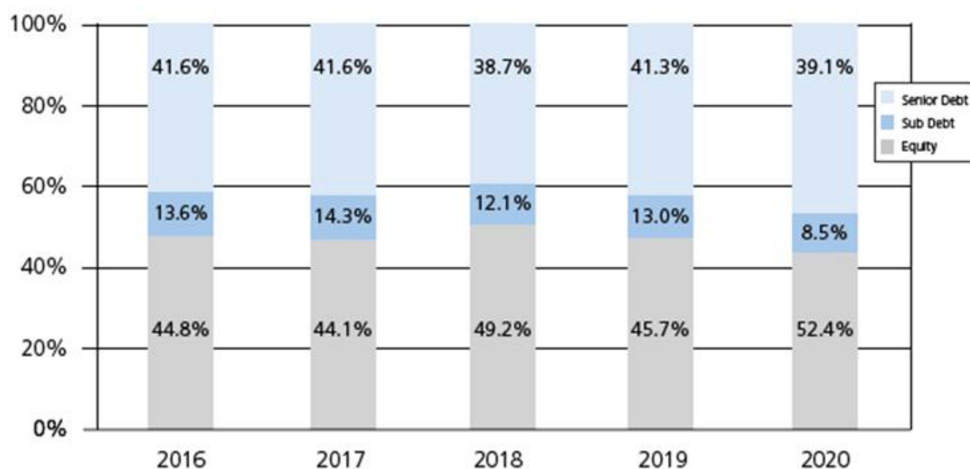
in our experience, leverage rarely leads to “break-out” returns and often creates negative return outcomes that are not correlated with the profitability of the business.

SENIOR DEBT/EBITDA—SPLITS BY PERIOD

TEV	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	N=
10-25	4.1	3.4	2.4	3.5	2.9	4.0	2.7	3.0	132
25-50	3.2	2.6	3.3	2.9	2.9	2.3	2.6	3.0	129
50-100	3.5	2.9	3.1	3.1	3.4	2.2	2.6	3.0	93
100-250	3.6	5.1	3.3	3.8	4.9	2.6	3.2	4.0	61
Total	3.5	3.2	2.9	3.2	3.4	2.8	2.7	3.2	
N =	71	52	42	52	65	23	38	72	415

Source: GF Data Leverage Report (February 2021)

EQUITY AND DEBT —$25-50 MILLION TEV



Source: GF Data Leverage Report (February 2021)

Management Strategy

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

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

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

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

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

- recruit and develop management teams for our businesses that are familiar with the industries in which our businesses operate;
- focus on developing and implementing business and operational strategies to build and sustain shareholder value over the long term;
- create sector-specific businesses enabling us to take advantage of vertical and horizontal acquisition opportunities within a given sector;
- achieve exposure in certain industries in order to create opportunities for future acquisitions; and
- develop and maintain long-term collaborative relationships with customers and suppliers.

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

Acquisition Strategy

Our acquisition strategies involve the acquisition of small businesses in various industries that we expect will produce positive and stable earnings and cash flow, as well as achieve attractive returns on our invested capital. In this respect, we expect to make acquisitions in

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industries wherein we believe an acquisition presents an attractive opportunity from the perspective of both (i) return on assets or equity and (ii) an easily identifiable path for growing the acquired businesses. We believe that attractive opportunities will increasingly present themselves as private sector owners seek to monetize their interests in longstanding and privately held businesses and large corporate parents seek to dispose of their "non-core" operations.

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

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

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

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

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

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

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

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

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

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make special distributions at the time of a sale of one of our businesses; instead, we expect that we will seek to gradually increase regular common shareholder distributions over time.

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

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

Strategic Advantages

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

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

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

Valuation and Due Diligence

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

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

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

One outcome of this process is an effort to project the expected cash flows from the target business as accurately as possible. A further outcome is an understanding of the types and levels of risk associated with those projections. While future performance and projections are always uncertain, we believe that our detailed due diligence review process allows us to more accurately estimate future cash flows and more effectively evaluate the prospects for operating the business in the future. To assist us in identifying material risks and validating

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key assumptions in our financial and operational analysis, in addition to our own analysis, we engage third-party experts to review key risk areas, including legal, tax, regulatory, accounting, insurance and environmental. We may also engage technical, operational or industry consultants, as necessary.

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

Financing

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

Our Competitive Advantages

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

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

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

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

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

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

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

Intellectual Property

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

Employees

As of December 31, 2020, the only full-time employee of our company was Ellery W. Roberts, our Chairman and Chief Executive Officer.

OUR CORPORATE STRUCTURE AND HISTORY

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

Our company is classified as a partnership for U.S. federal income tax purposes. Under the partnership income tax provisions, our company will not incur any U.S. federal income tax liability; rather, each of our shareholders will be required to take into account his or her allocable share of company income, gain, loss, and deduction. As a holder of our shares, you may not receive cash distributions sufficient in amount to cover taxes in respect of your allocable share of our company's net taxable income. Our company will file a partnership return with the Internal Revenue Service, or IRS, and will issue tax information, including a Schedule K-1, to you that describes your allocable share of our company's income, gain, loss, deduction, and other items. The U.S. federal income tax rules that apply to partnerships are complex and complying with the reporting requirements may require significant time and expense. See

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"*Material U.S. Federal Income Tax Considerations*" included in our prospectus, dated November 12, 2020 and filed with the Securities and Exchange Commission, or the SEC, on November 13, 2020, relating to our registration statement on Form S-1 (registration No. 333-249752), for more information.

Our company currently has three classes of limited liability company interests - the common shares, the series A senior convertible preferred shares and the allocation shares. All of our allocation shares have been and will continue to be held by our manager. See the Description of Securities filed as Exhibit 4.1 to this report for more information about our shares.

On March 3, 2017, our newly formed wholly-owned subsidiary 1847 Neese acquired all of the issued and outstanding capital stock of Neese for an aggregate purchase price of $6,655,000, consisting of: (i) $2,225,000 in cash, subject to certain adjustments; (ii) 450 shares of the common stock of 1847 Neese, valued by the parties at $1,530,000, constituting 45% of its capital stock; (iii) the issuance of a vesting promissory note in the principal amount of $1,875,000 (which was determined to have a fair value of $395,634) due June 30, 2020; and (iv) the issuance of a short-term promissory note in the principal amount of $1,025,000 due March 3, 2018. As a result of this transaction, we own 55% of 1847 Neese, with the remaining 45% held by third parties. 1847 Neese was formed in the State of Delaware on October 11, 2016 and Neese was formed in the State of Iowa in January 1993.

On April 5, 2019, our newly formed indirect wholly-owned subsidiary Goedeker acquired substantially all of the assets of Goedeker Television for an aggregate purchase price of $6,200,000 consisting of: (i) $1,500,000 in cash, subject to adjustment; (ii) the issuance of a promissory note in the principal amount of $4,100,000; and (iii) up to $600,000 in earn out payments. As additional consideration, our newly formed wholly-owned subsidiary 1847 Goedeker Holdco Inc., or 1847 Holdco, issued to each of the stockholders of Goedeker Television a number of shares of its common stock equal to a 11.25% non-dilutable interest in all of the issued and outstanding stock of 1847 Holdco as of the closing date. Following this transaction, we owned 70% of 1847 Holdco, with the remaining 30% held by third parties. 1847 Holdco was formed in the State of Delaware on March 20, 2019 and Goedeker was formed in the State of Delaware on January 10, 2019.

On August 4, 2020, 1847 Holdco distributed all of its shares of Goedeker to its stockholders in accordance with their pro rata ownership in 1847 Holdco, after which time 1847 Holdco was dissolved. Following this transaction, and the closing of Goedeker's initial public offering on August 4, 2020, we owned approximately 54.41% of Goedeker.

On October 23, 2020, we distributed all of the shares of Goedeker that we held to our shareholders. As a result of this distribution, Goedeker is no longer a subsidiary of our company.

On May 28, 2020, our newly formed wholly-owned subsidiary 1847 Asien acquired all of the issued and outstanding capital stock of Asien's for an aggregate purchase price of $1,918,000 consisting of: (i) $233,000 in cash, subject to adjustment; (ii) the issuance of an amortizing promissory note in the principal amount of $200,000; (iii) the issuance of a demand promissory note in the principal amount of $655,000; and (iv) 415,000 common shares of our company, having a mutually agreed upon value of $830,000, which could be repurchased by 1847 Asien for a period of one year following the closing at a purchase price of $2.50 per share. These shares were repurchased on July 29, 2020. As a result of this transaction, we own 95% of 1847 Asien, with the remaining 5% held by a third party. 1847 Asien was formed in the State of Delaware on March 24, 2020 and Asien's was formed in the State of California on February 6, 2004.

On September 30, 2020, our newly formed wholly-owned subsidiary 1847 Cabinet acquired all of the issued and outstanding capital stock of Kyle's for an aggregate purchase price of $6,650,000 (subject to adjustment) consisting of: (i) $4,200,000 in cash, (ii) an 8% contingent subordinated note in the aggregate principal amount of $1,050,000, and (iii) 700,000 common shares of our company, having a mutually agreed upon value of $1,400,000. As a result of this transaction, we own 92.5% of 1847 Cabinet, with the remaining 7.5% held by a third party. 1847 Cabinet was formed in the State of Delaware on August 21, 2020 and Kyle's was formed in the State of Idaho on May 7, 1991.

On March 30, 2021, our newly formed wholly-owned subsidiary 1847 Wolo acquired all of the issued and outstanding capital stock of Wolo for an aggregate purchase price of $7,400,000 (subject to adjustment) consisting of (i) $6,550,000 in cash and (ii) the issuance of a secured promissory note in the principal amount of $850,000. As a result of this transaction, we own 92.5% of 1847 Wolo, with the remaining 7.5% held by a third party. 1847 Wolo was formed in the State of Delaware on December 3, 2020, and Kyle's was formed in the State of Idaho on May 7, 1991. Wolo Mfg. Corp. was formed in the State of New York on August 6, 1965 and Wolo Industrial Horn & Signal, Inc. was formed in the State of New York on January 28, 1999.

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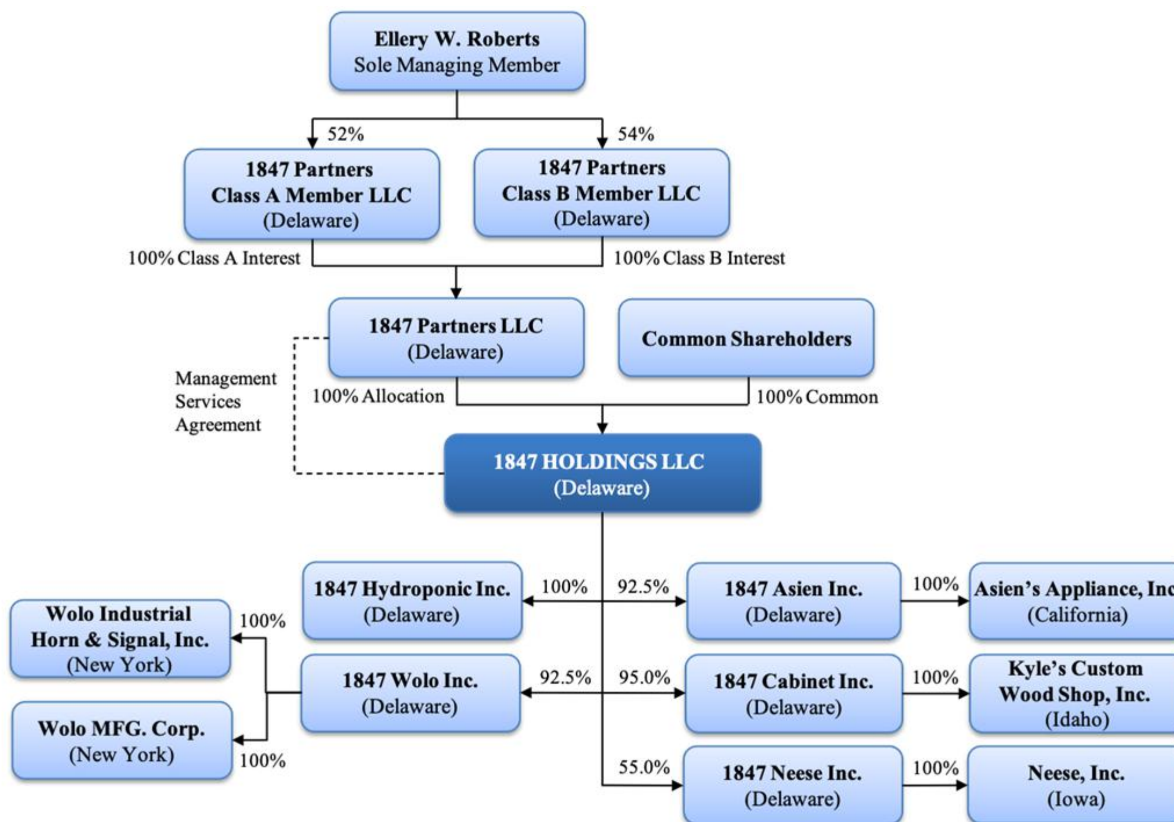
On January 30, 2020, we formed 1847 Hydroponic Inc., or 1847 Hydroponic, as a wholly-owned subsidiary in the State of Delaware. On February 9, 2021, 1847 Hydroponic entered into a securities purchase agreement with GSH One Enterprises, Inc., a California corporation (d/b/a Bayside Garden Supply), Hone Brothers Retail, LLC, an Oregon limited liability company (d/b/a Endless Summer Garden Supply), and Hone Brothers Retail Tulsa LLC, an Oklahoma limited liability company (d/b/a Endless Summer Garden Supply) (which we collectively refer to as the Garden Companies) and the sellers named therein, pursuant to which 1847 Hydroponic agreed to acquire all of the issued and outstanding capital stock or other equity securities of the Garden Companies for an aggregate purchase price of $100,000,000, subject to adjustment, consisting of (i) $90,000,000 in cash and (ii) a three-year 8% secured subordinated convertible promissory note in the aggregate principal amount of $10,000,000. The closing of the securities purchase agreement is subject to standard closing conditions and has not yet been completed.

The following chart depicts our current organizational structure:



See below for more details regarding the ownership of our manager.

OUR MANAGER

Overview of Our Manager

Our manager, 1847 Partners LLC, is a Delaware limited liability company. It has two classes of limited liability interests known as Class A interests and Class B interests. The Class A interests, which give the holder the right to the profit allocation received by our manager as a result of holding our allocation shares, are owned in their entirety by 1847 Partners Class A Member LLC; and the Class B interests, which give the holder the right to all other profits or losses of our manager, including the management fee payable to our manager by us, are owned in their entirety by 1847 Partners Class B Member LLC. 1847 Partners Class A Member LLC is owned 52% by Ellery W. Roberts, our Chief Executive Officer, 38% by 1847 Founders Capital LLC, which is owned by Edward J. Tobin, and approximately 9% by Louis A. Bevilacqua, the managing member of Bevilacqua PLLC, outside counsel to our company, with the balance being owned by a former contractor to such law firm. 1847 Partners Class B Member LLC is owned 54% by Ellery W. Roberts, 36% by 1847 Founders

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Capital LLC and 10% by Louis A. Bevilacqua. Mr. Roberts is also the sole manager of both entities. In the future, Mr. Roberts may cause 1847 Partners Class A Member LLC or 1847 Partners Class B Member LLC to issue units to employees of our manager to incentivize those employees by providing them with the ability to participate in our manager's incentive allocation and management fee.

Key Personnel of Our Manager

The key personnel of our manager are Ellery W. Roberts, our Chief Executive Officer, and Edward J. Tobin. Please see Item 10 "*Directors, Executive Officers and Corporate Governance*" for a description of the business experience of these individuals. Each of these individuals will be compensated entirely by our manager from the management fees it receives. As employees of our manager, these individuals devote a substantial majority of their time to the affairs of our company.

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

Acquisition and Disposition Opportunities

Our manager has exclusive responsibility for reviewing and making recommendations to our board of directors with respect to acquisition and disposition opportunities. If our manager does not originate an opportunity, our board of directors will seek a recommendation from our manager prior to making a decision concerning such opportunity. In the case of any acquisition or disposition opportunity that involves an affiliate of our manager or us, our nominating and corporate governance committee, or, if we do not have such a committee, the independent members of our board of directors, will be required to authorize and approve such transaction.

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

Our investment criteria include the following:

- Revenue of at least $5.0 million
- Current year EBITDA/Pre-tax Income of at least $1.5 million with a history of positive cash flow
- Clearly identifiable "blueprint" for growth with the potential for break-out returns

- Well-positioned companies within our core industry categories (consumer-driven, business-to-business, light manufacturing and specialty finance) with strong returns on capital
- Opportunities wherein building management team, infrastructure and access to capital are the primary drivers of creating value
- Headquartered in North America

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

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

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

Management Services Agreement

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

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

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

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

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

Secondment of Our Executive Officers

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

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which may make it difficult for our board of directors to completely sever ties with Mr. Roberts. Our manager and our board of directors may agree from time to time that our manager will second to our company one or more additional individuals to serve on behalf of our company, upon such terms as our manager and our board of directors may mutually agree.

Indemnification by our Company

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

Termination of Management Services Agreement

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

- a majority of our board of directors vote to terminate the management services agreement, and the holders of at least a majority of the outstanding shares (other than shares beneficially owned by our manager) then entitled to vote also vote to terminate the management services agreement;
- neither Mr. Roberts nor his designated successor controls our manager, which change of control occurs without the prior written consent of our board of directors;
- there is a finding by a court of competent jurisdiction in a final, non-appealable order that (i) our manager materially breached the terms of the management services agreement and such breach continued unremedied for 60 days after our manager receives written notice from our company setting forth the terms of such breach, or (ii) our manager (x) acted with gross negligence, willful misconduct, bad faith or reckless disregard in performing its duties and obligations under the management services agreement, or (y) engaged in fraudulent or dishonest acts in connection with the business or operations of our company;

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

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

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

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

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

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

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

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

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

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

- the management services agreements relating to the services our manager performs for us and our businesses; and
- our company's operating agreement relating to our manager's rights with respect to the allocation shares it owns and which contains the supplemental put provision relating to our manager's right to cause our company to purchase the allocation shares it owns.

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

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

Description	Fee Calculation	Payment Term
Management Fees		
Determined by management services agreement	0.5% of adjusted net assets (2.0% annually)	Quarterly
Determined by offsetting management services agreement	Payment of fees by our subsidiary businesses that result in a dollar for dollar reduction of manager fees paid by	Quarterly

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

Our Manager as a Service Provider

Management Fee

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

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

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

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Offsetting Management Services Agreements

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

Our manager entered into offsetting management services agreements with 1847 Neese, 1847 Asien and 1847 Cabinet and may enter into offsetting management services agreements with our future subsidiaries, which agreements would be in the form prescribed by our management services agreement.

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

The offsetting management fee paid to our manager for providing management services to a future subsidiary will vary.

1847 Neese entered into an offsetting management services agreement with our manager on March 3, 2017, 1847 Asien entered into an offsetting management services agreement with our manager on May 28, 2020, 1847 Cabinet entered into an offsetting management services agreement with our manager on August 21, 2020 and 1847 Wolo entered into an offsetting management services agreement with our manager on March 30, 2021. Pursuant to the offsetting management services agreements, 1847 Neese appointed our manager to provide certain services to it for a quarterly management fee equal to $62,500, 1847 Asien appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement), 1847 Cabinet appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement) and 1847 Wolo appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement); provided, however, in each case that (i) pro rated payments shall be made in the first quarter and the last quarter of the term, (ii) if the aggregate amount of management fees paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries of our company to our manager, in each case, with respect to any fiscal year exceeds, or is expected to exceed, 9.5% of our gross income with respect to such fiscal year, then the management fee to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo for any remaining fiscal quarters in such fiscal year shall be reduced, on a pro rata basis determined by reference to the management fees to be paid to our manager by all of our subsidiaries, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries to our manager, in each case, with respect to such fiscal year, does not exceed 9.5% of our gross income with respect to such fiscal year, and (iii) if the aggregate amount the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries to our manager, in each case, with respect to any fiscal quarter exceeds, or is expected to exceed, the parent management fee with respect to such fiscal quarter, then the management fee to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo for such fiscal quarter shall be reduced, on a pro rata basis, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries of to our manager, in each case, with respect to such fiscal quarter, does not exceed the parent management fee calculated and payable with respect to such fiscal quarter.

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Notwithstanding the foregoing, under terms of a term loan from Home State Bank, no fees may be paid to our manager under the 1847 Neese offsetting management services agreement without permission of the bank, which we do not expect to be granted within the forthcoming year.

In addition, the rights of our manager to receive payments under the 1847 Wolo offsetting management services agreement are subordinate to the rights of Sterling National Bank under its loan documents.

Each of 1847 Neese, 1847 Asien, 1847 Cabinet and 1847 Wolo shall also reimburse our manager for all of its costs and expenses which are specifically approved by its board of directors, including all out-of-pocket costs and expenses, which are actually incurred by our manager or its affiliates on behalf of 1847 Neese, 1847 Asien, 1847 Cabinet and 1847 Wolo in connection with performing services under the offsetting management services agreements.

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

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

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

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

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

For purposes of the calculation of the management fee:

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

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

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

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

Transaction Services Agreements

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

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

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

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

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

Reimbursement of Expenses

Our company is responsible for paying costs and expenses relating to its business and operations. Our company agreed to reimburse our manager during the term of the management services agreement for all costs and expenses of our company that are incurred by our manager or its affiliates on behalf of our company, including any out-of-pocket costs and expenses incurred in connection with

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the performance of services under the management services agreement, and all costs and expenses the reimbursement of which are specifically approved by our company's board of directors.

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

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

Termination Fee

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

Our Manager as an Equity Holder

Manager's Profit Allocation

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

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

- the sale of a material amount, as determined by our manager and reasonably consented to by a majority of our company's board of directors, of the capital stock or assets of one of our businesses or a subsidiary of one of our businesses, which event we refer to as a sale event; or

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

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

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

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

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

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

- manager's profit allocation will not be paid with respect to a trigger event relating to any business if the total profit allocation amount, as of any calculation date, with respect to such business does not exceed such business' level 1 hurdle amount (based on an 8% annualized hurdle rate, as described below), as of such calculation date; and
- manager's profit allocation will be paid with respect to a trigger event relating to any business if the total profit allocation amount, as of any calculation date, with respect to such business exceeds such business' level 1 hurdle amount, as of such calculation date. Our manager's profit allocation to be paid with respect to such calculation date will be equal to the sum of the following:
  - 100% of such business' total profit allocation amount, as of such calculation date, with respect to that portion of the total profit allocation amount that exceeds such business' level 1 hurdle amount (\but is less than or equal to such business' level 2 hurdle amount (which is based on a 10% annualized hurdle rate, as described below), in each case, as of such calculation date. We refer to this portion of the total profit allocation amount as the "catch-up." The "catch-up" is intended to provide our manager with an overall profit allocation of 20% of the business' total profit allocation amount until such business' level 2 hurdle amount has been reached; plus
  - 20% of the total profit allocation amount, as of such calculation date, that exceeds such business' level 2 hurdle amount as of such calculation date; minus
  - the high water mark allocation, if any, as of such calculation date. The effect of deducting the high water mark allocation is to take into account profit allocations our manager has already received in respect of past gains attributable to previous sale events.

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

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

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

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

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

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

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

Example of Calculation of Manager's Profit Allocation

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

Assumptions

Year 1:
Acquisition of Company A
Acquisition of Company B

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

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

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

For purposes of calculating profit allocation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Put Provision

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

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

For purposes of this provision, the "put price" is equal to, as of any exercise date, (i) if we terminate the management services agreement, the sum of two separate, independently made calculations of the aggregate amount of manager's profit allocation as of such exercise date or (ii) if our manager resigns, the average of two separate, independently made calculations of the aggregate amount of manager's profit allocation as of such exercise date, in each case, calculated assuming that (x) all of the businesses are sold in an orderly fashion for fair

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market value as of such exercise date in the order in which the controlling interest in each business was acquired or otherwise obtained by our company, (y) the last day of the fiscal quarter ending immediately prior to such exercise date is the relevant calculation date for purposes of calculating manager's profit allocation as of such exercise date. Each of the two separate, independently made calculations of our manager's profit allocation for purposes of calculating the put price will be performed by a different investment bank that is engaged by our company at its cost and expense. The put price will be adjusted to account for a final "true-up" of our manager's profit allocation.

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

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

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

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

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

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

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

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

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

RETAIL AND APPLIANCES BUSINESS

Our retail and appliances segment is comprised of the business operated by Asien's. This business segment accounted for approximately 49.4% of our total revenues for the year ended December 31, 2020.

Overview of Asien's

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On May 28, 2020, we completed the acquisition of Asien's. Asien's has been in business since 1948 serving the North Bay area of Sonoma County, California. It provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing. Its main focus is delivering personal sales and exceptional service to its customers at competitive prices.

Asien's is one of the area's oldest appliance stores and is well known and highly respected throughout the North Bay area. Asien's has strong, established relationships with customers and contractors in the community. It provides products and services to a diverse group of customers, including homeowners, builders, and designers. As a member of BrandSource, a buying group that offers vendor programs, factory direct deals, marketing support, opportunity buys, close-outs, consumer rebates, finance offers, and similar benefits, Asien's offers a full line of top brands from U.S. and international manufacturers.

Products and Services

Appliance Sales

With a showroom display area of approximately 6,000 square feet, Asien's offers a complete line of home and kitchen appliances to both residential and commercial customers, including:

- *Cooking*: Products include cooktops, microwaves, warming drawers, ventilation, wall ovens, ranges and range tops. Major brands include Beko, BlueStar, Café, DCS, Fisher Paykel, Five Star, Fulgor Milano, GE, Haier, Jenn-Air, KitchenAid, Maytag, Miele, Monogram, Sub-Zero, Viking, Whirlpool and Wolf.

- *Refrigeration*: Products include a wide variety of refrigerator configurations, freezers and ice makers, and wine and beer coolers. Major brands include Fisher Paykel, Jenn-Air, KitchenAid, Liebherr, Miele, Monogram, Perlick, Sub-Zero, Viking and Whirlpool.

- *Laundry*: Products include washers, dryers and laundry extras. Major brands include Amana, ASKO, Beko, Fisher & Paykel, GE, Maytag, Miele, Speed Queen and Whirlpool.

- *Clean Up*: Products include dishwashers, trash compactors, and in-sink food waste disposers. Major brands include AGA, Amana, ASKO, Beko, Café, Cove, Crosley, Fisher Paykel, GE, Hot Point, Jenn-Air, KitchenAid, Maytag, Miele, Monogram, Viking and Whirlpool.

- *Outdoor*: Products include outdoor grills, refrigeration and storage. Major brands include DCS, Green Mountain Grills, LYNX, Marvel, Perlick, Sub-Zero, Viking and Wolf.

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Product sales is Asien's largest revenue source, accounting for approximately 99.2% of its total revenue from the date of acquisition through the year ended December 31, 2020.

Appliance Services

Asien's also offers a variety of appliance services, including delivery, installation, warranty service and appliance repair and maintenance. Asien's is the largest independent appliance service company in Sonoma County. Asien's service technicians are experts, averaging 15 years of field experience with factory training. They are vendor certified to handle our customers' kitchen appliance, laundry, and outdoor appliance service needs. Asien's also offers extended warranties.

These services accounting for approximately 6% and 8% of Asien's total revenue for the years ended December 31, 2020 and 2019, respectively.

Pricing

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Asien’s provides premium and super premium products to the North Bay customer. A significant number of the appliances in Asien’s 6,000 SKU catalog are subject to a unilateral minimum retail price policy, or UMRP, or minimum advertised pricing restrictions. UMRP restricts a reseller from discounting the customer price for an appliance below a vendor published UMRP and product promotions are solely those specified by the vendor and unilaterally available. Asien’s thrives in the premium market by proving the customer with a higher overall perceived value as well as a competitive total invoice cost by offering premium service at reasonable rates. Asien’s sales associates are industry professionals with an average more than 10 years of experience selling appliances. This team of seven averages over seven years seniority with Asien’s with the senior member having been with Asien’s for 26 years. The premium appliance market requires this expertise as very often sales and customer service teams are interacting with designers, builders, and contractors, as well as Asien’s core customer, the homeowner. Asien’s hard earned reputation for this expertise in sales, installation and service accretes to its advantage when it competes directly across product lines that are also available from other local resellers and big box competitors. Asien’s merchant and sales team are responsible to ensure that pricing and promotion for these appliances are competitive.

Vendor/Supplier Relationships

Asien’s offers more than 40 brands and over 6,000 SKUs available for purchase. This depth of vendor relationships gives consumers numerous options in all product categories. Asien’s top vendors and suppliers are listed in the table below.

Supplier	Total Purchases (2019)	Total Purchases (2020)	Percent of Purchases (2020)
Riggs Distributing, Inc.	$ 3,162,559	$ 3,063,734	33.6%
Whirlpool	1,741,113	1,176,219	12.9%
General Electric	1,504,306	1,527,220	16.8%
Middleby / Viking Range	634,987	647,809	7.1%
Miele	430,757	780,726	8.6%
Fisher Paykel	357,142	202,258	2.2%
R&B	340,854	238,647	2.6%
Blue Star	331,176	437,816	4.8%
Zephyr	269,969	258,055	2.8%
Beko Appliances	118,013	143,091	1.6%

Products are purchased from all suppliers on an at-will basis. Asien’s has no long-term purchase agreements with any supplier. Relationships with suppliers are subject to change from time to time. Changes in relationships with suppliers occur periodically and could positively or negatively impact Asien’s net sales and operating profits. We believe that Asien’s can be successful in mitigating negative effects resulting from unfavorable changes in the relationships with suppliers through, among other things, the development of new or expanded supplier relationships. Please see Item 1A “*Risk Factors—Risks Related to Retail and Appliances Business*” and Item 1A “*Risk Factors—Risks Related to Our Business and Structure—The coronavirus pandemic may cause a material adverse effect on our business*” for a description of the risks related to Asien’s supplier relationships, including those associated with the coronavirus pandemic.

BrandSource Membership

Asien’s is part of the member-owned buying group, BrandSource, which has an internal marketing company as well as a company to finance their purchases from some brands.

Members of BrandSource can compete with box stores by banding together under the buying group; the dealers/members own the buying group/co-op. Simply put, the group aids members in helping them buy better, reduce costs, drive business into their stores and educate them in a way an independent dealer could not do it alone.

We believe that the benefits of Asien’s membership with this group include:

- $19 billion dollar buying power allowing members to compete on the price of products (same as box store);
- BrandSource credit card to complete consumer financing (12, 18 and 24 month);

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- BrandSource finance so members can get credit approved to purchase goods;
- BrandSource marketing so members can compete for consumer store traffic. This includes turnkey websites, digital and social marketing, as well as print and video marketing. This allows members to actually out-market the box stores locally; and
- National and regional education forums for members to be "in the know" on industry trends, vendor product knowledge and idea exchange.

Marketing

Asien's markets its products through a variety of methods, both digital and traditional. Some examples include digital advertising, radio, billboards and "go local" marketing.

Digital Advertising

Asien's participates in pay-per-click ads, digital banner ads, YouTube videos, Facebook posts, etc., through its membership in BrandSource. Asien's also has a professional and easy-to-use website (www.asiensappliance.com), which allows customers to research, compare, and order products online. This site is hosted and maintained by BrandSource.

Radio

Asien's runs radio spots on various stations throughout the year, with most spots promoting the Asien's brand. These advertisements strive to promote Asien's experience, expertise, service, local ownership, 70 years in business, etc. Some radio spots are paid for by appliance manufacturers, in which case Asien's will promote the quality of the brand, rather than the price.

Billboards

Asien's has secured two prominent billboards in Sonoma County:

- Northbound 101 across from the Corby Avenue auto row in Santa Rosa. Asien's advertises on it half the year at different intervals.
- Southbound 101 in Petaluma near the Petaluma Village Premium Outlets.

In many cases, as with the radio ads, appliance manufacturers will pay for advertising on the billboards.

"Go Local" Marketing

Asien's also participates in the "GO LOCAL" marketing organization for locally-owned independent businesses. Members of this organization use a shared brand, targeted advertising, and a rewards card to increase sales and gain market share.

Customers and Markets

Asien's currently serves customers in the areas of Sonoma, Napa, Marin, Lake and Mendocino counties, California. The large majority of customers are homeowners and their contractors, with the homeowner being key in the final decisions. Asien's has a diverse customer base, with no one customer accounting for more than 5% of total revenue.

Customer Support

Customer Service is of critical importance to the success of Asien's. Asien's primarily conducts customer service in person or on the telephone, although web-initiated chat, text and email are available and rapidly growing coordination and communication. Asien's believes in allowing its customer to set the preferred method for communication. Asien's role in providing premium appliances can often require substantial pre-sales support, such as when quoting a multi-appliance bid package for a builder. During 2020, there has been a

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material shift toward online sales and the appliance industry is no exception. In 2019, the most popular search terms for the appliance industry ended with the modifier "near me" and in 2020 that modifier has been replaced with "delivered." Confirming availability, managing backordered product and coordinating delivery and installation are all critical service functions for Asien's in the COVID-19 environment.

Asien's customer service is available to field inbound customer calls from 8:00 am to 5:30 pm PST, Monday through Friday and Saturday from 9:00 am to 5:00 pm.

Logistics

The large majority of Asien's inventory consists of customers' completed orders, most of which are selected from models in its extensive showroom. Asien's does, however, maintain a supply of common and in-demand appliances for walk-in customers who are looking to make same-day purchases.

Asien's takes ownership of inventory when it is delivered to its warehouse. At this point, warehouse staff unloads the product, determines the delivery location and arranges for delivery of the product. Customers may arrange for a delivery service or their third-party installers and contractors to pick-up their appliances at our warehouse or have it scheduled for delivery. Asien's will coordinate third party delivery or recommend factory trained third-party installation services when necessary. Asien's also offers installation services.

Asien's return and exchange policy is designed to be as worry-free and customer friendly as possible. An Asien's customer may cancel or exchange an item that is on order or is not subject to a vendor mandated restocking fee. Asien's may pass any supplier assessed restocking fee on to the customer in the event a special ordered appliance is returned or exchanged without defect.

Competition

Asien's competes with big box retailers, independent appliance retailers, hybrid retail and direct-to-consumer companies and web only companies. As a hybrid retail and direct-to-consumer company, Asien's has the ability to successfully rival the offerings of each competitor, utilizing impressions from both online and traditional marketing, its consultative selling practice and customer service expertise, and a curated assortment of premier brands to attract and retain new customers.

The U.S. appliance market in general is highly fragmented with thousands of local and regional retailers competing for share. Asien's primary competitors in the appliance market include big box retailers, such as Home Depot, Lowe's and Best Buy; specialty retailers, such as TeeVax, Ferguson and Premier Bath and Kitchen; and online marketplaces, such as Amazon.

The shifting landscape to online sales in the segment is providing a significant market share capture and positioning opportunity for companies. Asien's is rapidly evolving their business processes to capitalize on this market shift. While premium brands continue to place restrictions on the pure ecommerce distribution models, Asien's is adapting the concierge selling available on their showroom floor for the web customer at home. The COVID-19 pandemic has accelerated this shift and is rewarding the entrepreneurial innovation necessary for this transition. This ongoing adaptation and continual process improvement will allow Asien's to continue to enjoy a preferred reseller status with the premium brands that differentiate Asien's offerings.

Competitive Strengths

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

- ***Name and reputation***. We believe that Asien's enjoys a long-standing (70+ years) reputation with vendors and customers for its focus on offering a full line of appliances, including premium brands unavailable from the competition, with consultative selling, competitive pricing and superior customer service.

- ***Highly experienced management and personnel***. We believe that Asien's personnel are its most important asset. Asien's has an experienced management team with decades of industry knowledge and a team of experienced, knowledgeable and skilled field personnel.

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- ***Diverse product and service offerings***. Asien's offers a full line of top brands from U.S. and international manufacturers. It currently offers approximately 6,000 appliance SKU's. Asien's also offers delivery, installation and repair and maintenance services provided by its highly knowledgeable personnel.

- ***Inventory discipline***. Resellers in the appliance industry are experiencing unprecedented supply chain issues with backorder on many appliance categories. Increasingly, the most success in appliance sales is found for those with available inventory on hand. Asien's reacts quickly to the expression of customer demand by confirming availability for products and placing orders to reserve potential stock needs. Asien's curated assortment allows it to react to micro-trends and adjust assortment and buying decisions quickly. On the showroom floor, Asien's experienced team has quickly pivoted to first sell what is available and then over-communicate with the customer when an item is on backorder. As a result, Asien's is maintaining a low cancelation rate. Customer service processes and resources to allow more efficient ongoing customer communication and coordination will allow Asien's to earn loyalty within its market by exceeding the service levels customers receive from other specialty retailers.

- ***Extended repair, delivery, and loaner services***. Approximately 60%-70% of Asien's sales are "duress" sales for broken or antiquated equipment. It is not uncommon for service to provide a gateway sales. A customer looking to replace their appliance still wants a quality product and they need it quickly. This is where the value of Asien's full-service approach wins customer loyalty.

- ***Online sales expertise***. We believe that Asien's ability to transact online, big ticket, home delivery sales give it strategic positioning and capability to sell more products to its current customer base, as well as to add new big ticket product categories.

- ***Membership in BrandSource***. As discussed in more detail above, we believe that Asien's membership in BrandSouce provides it with a number of competitive advantages.

Growth Strategies

Asien's will strive to grow its business by pursuing the following growth strategies:

- ***Digital strategy***. Asien's plans to implement best-in-class solutions from parallel industries focused on a click-to-brick digital strategy. This includes enhancing Asien's web presence and digital advertising while providing tools to facilitate consultation, guided customer support and service. Asien's also plans to enhance the full-cycle customer relationship including loyalty, incentives for referral, and long-tail satisfaction surveys. Asien's also plans to enhance its geographic reach through installation partnerships.

- ***Increase local marketing spend***. Asien's plans to increase its local marketing spending. Outreach messaging will increase the emphasis on Asien's as a trusted community resource and other local first values. Asien's plans to build incrementally on ad spending where a return is measurable. This involves first optimizing local market internet search and digital advertising campaigns, while at the same time innovating a COVID-19 appropriate approach to what was traditionally outside sales by more regularly engaging builders, designers, and contractors and encouraging regular digital meeting place. Asien's plans to provide local leadership by being efficient and providing secure online tools to enable project management and data exchange.

- ***Store Growth***. Asien's is actively looking for underserved and growing communities on the west coast that echo the attributes that serve its success in the current Sonoma County location.

Intellectual Property

Asien's does not own any registered intellectual property. The agreements with Asien's suppliers generally provide Asien's with a limited, non-exclusive license to use the supplier's trademarks, service marks and trade names for the sole purpose of promoting and selling their products.

To protect intellectual property, Asien's relies on a combination of laws and regulations, as well as contractual restrictions. Asien's relies on the protection of laws regarding unregistered copyrights for certain content it creates. Asien's also relies on trade secret laws to protect its proprietary technology and other intellectual property. To further protect its intellectual property, Asien's enters into confidentiality agreements with its executive officers and directors.

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Employees

As of December 31, 2020, Asien's employed 25 full-time employees. The following table sets forth the number of Asien's employees by function. Asien's also employs a team of two (2) part-time employees dedicated exclusively to Saturday deliveries.

Department/Function	Employees
Accounting/Finance	2
Sales and Marketing	7
Customer Service	8
Warehouse and Delivery	6
Administrative	2
TOTALS	**25**

None of Asien's employees are represented by labor unions, and we believe that it has an excellent relationship with its employees.

Regulation

Asien's business is subject a variety of laws and regulations applicable to companies conducting business on the Internet. Jurisdictions vary as to how, or whether, existing laws governing areas such as personal privacy and data security, consumer protection or sales and other taxes, among other areas, apply to the Internet and e-commerce, and these laws are continually evolving. For example, certain applicable privacy laws and regulations require Asien's to provide customers with its policies on sharing information with third parties, and advance notice of any changes to these policies. Related laws may govern the manner in which Asien's stores or transfers sensitive information or impose obligations on Asien's in the event of a security breach or inadvertent disclosure of such information. Additionally, tax regulations in jurisdictions where Asien's does not currently collect state or local taxes may subject it to the obligation to collect and remit such taxes, or to additional taxes, or to requirements intended to assist jurisdictions with their tax collection efforts. New legislation or regulation, the application of laws from jurisdictions whose laws do not currently apply to Asien's business, or the application of existing laws and regulations to the Internet and e-commerce generally could result in significant additional taxes on Asien's business. Further, Asien's could be subject to fines or other payments for any past failures to comply with these requirements. The continued growth and demand for e-commerce is likely to result in more laws and regulations that impose additional compliance burdens on companies doing business on the Internet.

CUSTOM CABINETRY BUSINESS

Our custom cabinetry business is operated by Kyle's. This business segment, which was acquired in the third quarter of 2020, accounted for approximately 7.3% of our total revenues for the year ended December 31, 2020.

Overview

On September 30, 2020, we completed the acquisition of Kyle's. Headquartered in Boise, Idaho and founded in 1976, Kyle's designs, builds, and installs custom cabinetry for contractors and homeowners in Boise and the surrounding area. Kyle's focuses on designing, building and installing custom cabinetry primarily for custom and semi-custom builders. Its products include kitchen, bath, home and office cabinets. Kyle's also offers fireplace mantels, surrounds, entertainment systems, wall units and bookcases. Kyle's products are sold on a regional basis directly to homeowners and contractors and through a network of several long-term recurring customers.

Established for over 40 years in its markets, Kyle's has built a strong reputation for best-in-class processes, product quality, and timeliness.

Products and Services

Kyle's builds cabinets for every area of a home - kitchen and bath cabinets, fireplace mantels and surrounds, entertainment systems and wall units, bookcases and office cabinets. Kyle's provides service to builders, designers and homeowners when they are building a new home or conduct remodeling. Kyle's builds and installs quality cabinets with fine design.

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Kyle's starts every project with a professional cabinet design that blends artistic design elements with maximum efficiency. Whether they are modern, traditional or rustic custom cabinets, Kyle's provides complete design from conceptual layout and functional accessories to fine artisan finishes.

Kyle's design service starts with a base package, based on what the builder's standard package or tendencies are. Its designers will update or modify the package based on the homeowner's add-ons or changes and send the job pricing detail to the builder.

Professional installation has everything to do with how the final product turns out. Kyle's hires professional technicians to install the cabinets it builds, and they take great care over the final fit and finish to ensure that the finished cabinets are second to none.

Kyle's has focused most of its efforts toward supplying custom or semi-custom builders, within which 96% were residential customers' projects in 2020. In order to develop end-user markets, Kyle's has a custom cabinet showroom in Boise, Idaho to present customers with a wide selection of cabinet styes, decorative finishes and functional cabinet hardware options.

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In the last several years, the majority of Kyle's projects have been kitchen and bathroom/vanities, but Kyle's machinery system would also support garage and closet systems, which represent future growth opportunities.

Manufacturing

Kyle's cabinet shop is equipped with state-of-the-art tools operated by skilled cabinetmakers. Its priority is producing quality cabinets in a timely fashion. Kyle's has been building cabinets in Boise since 1976 with a reputation of great service and outstanding quality.

Kyle's manufactures its cabinets using its computer numerical control, or CNC, machinery in order to maximize efficiency. The details of each custom cabinet it makes are created by its own employees from hand sanding to staining and painting to adding a wide array of specialty finishes, coatings, distressing and glazing.

Kyle's cabinets are made primarily of alder, paint-grade material and melamine. Cabinets are manufactured using CNC routing of all job components from sheet goods. Kyle's can cut a complete job in four to six hours. The estimated total cycle time for projects from production design to install-ready is seven business days.

Pricing

Kyle's strategy has been to deliver quality and performance at a mid-level price target. Kyle's pricing model is generally offering better features or efficiencies than general market competitors in each product category to its builder markets. Kyle's has developed a bid sheet that prices base cabinets on a per lineal foot basis with unit price adders for each of the different options or items in the cabinet package. The base cabinet package is for a stained alder cabinet with an inset panel door installed. The adders are added to the bare cabinet per foot charge to develop a total cabinet base bid.

Supplier Relationships

The primary raw materials used in the manufacture of Kyle's products are melamine and veneered sheet goods, lumber, doors and hardware. Cost of these raw materials is a key factor in pricing our products. We believe that there is an ample supply of most of the raw materials that Kyle's needs. Recently, potentially as a result of the coronavirus pandemic and resulting impact, Kyle's has seen price increases in certain key raw materials such as wood products and hardware. These increases may negatively affect Kyle's profitability and financial condition. Item 1A "*Risk Factors—Risks Related to Our Business and Structure—The coronavirus pandemic may cause a material adverse effect on our business*."

For the years ended December 31, 2020 and 2019, about six suppliers accounted for a majority of Kyle's purchases. Kyle's is seeking to identify alternative raw material suppliers to the extent there are viable alternatives and to expand its use of alternative raw materials. Kyle's aims to maintain multiple supply sources for each of its key raw materials to ensure that supply problems with any one supplier

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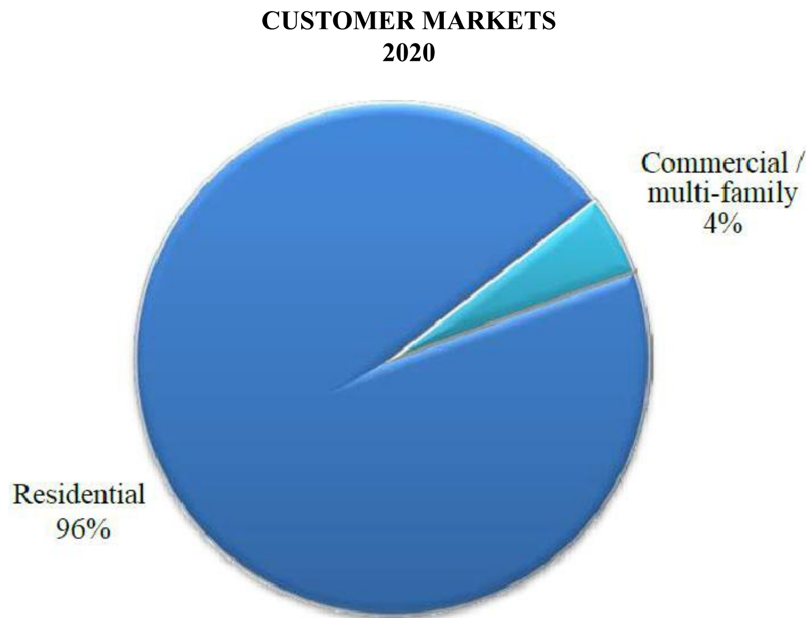
will not materially disrupt its operations. In addition, Kyle's strives to develop strategic relationships with new suppliers to secure a stable supply of materials and introduce competition in its supply chain, thereby increasing its ability to negotiate better pricing and reducing its exposure to possible price fluctuations. Please see Item 1A "*Risk Factors—Risks Related to Custom Cabinetry Business*" for a description of the risks related to Kyle's supplier relationships.

Sales and Marketing

Kyle's primary customer markets in the last several years have been custom or semi-custom home builders. Kyle's job sizes range from small residential projects generating approximately $5,000 to $9,000, medium size jobs of $15,000 to $25,000, to larger jobs ranging $50,000 to over $100,000.



Kyle's continues to derive most of its work in the residential single family, new construction segment of the construction market. Due to strong housing demands in the area, Kyle's is also tapping into the residential multi-family, new construction segment of the market. Kyle's has experience and capabilities to support the aforementioned market segments in addition to others such as condo and commercial projects.

Kyle's has a high customer retention level and has generated a considerable number of broader revenue opportunities through direct and specific interaction with its customer base. Kyle's has negotiated pricing with several long-term recurring contractor customers who send out a weekly schedule; and others who send out the job when the site foundation is laid. The revenue generated from the service provided for these long-term recurring contractor customers represented a majority of total revenue for the years ended December 31, 2020 and 2019. Please also see Item 1A "*Risk Factors—Risks Related to Custom Cabinetry Business—The loss of any of our key customers could have a materially adverse effect on our results of operations*."

Kyle's primarily relies on direct consumer marketing and its extensive relationships with local builders to market its products. It also maintains a website www.kylescabinets.com and conducts social media marketing through its Facebook page.

Technology

By adopting the advanced technology, Kyle's can cut a full project in four to six hours. The total estimated cycle time from the production design to install-ready is five to seven business days.

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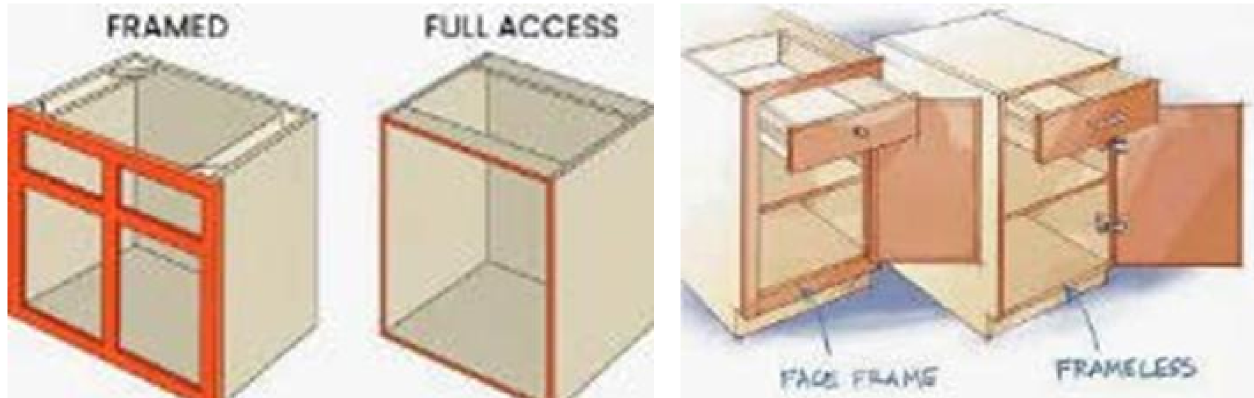
- ***Frameless Operation***. In 2013, Kyle's converted to a frameless cabinet operation from face frame operation. Frameless cabinets do not have the face frame and are known as "full access" cabinets, European style, or modern cabinetry. A frameless box offers more ease of access and storage space without the face frame. Additionally, there is less cost, without milling, and attaching the frame to the box.



- ***Automated Processes***. In 2015, Kyle's acquired a CNC router and automated the production of all projects. Kyle's works primarily with alder, or paint-grade materials, and orders goods for in-house scheduled jobs. Jobs are run on a nested program, which, once data is entered, provides the number of sheets needed, and makes the most efficient use of those sheets. The job materials are lowered by lift to the router, where parts are machined directly from each sheet.

Competition

Kyle's competes with numerous competitors in its primary markets, Boise and the surrounding area (Twin Falls, McCall, and Sun Valley), with reputation, price, workmanship and services being the principal competitive factors. Kyle's mostly competes against other specialty custom cabinet builders in the region. Kyle's also competes with regional home improvement contractors and suppliers such as Franklin's and to a lesser extent against national retail chains such as Home Depot and Lowes. As a result of the implementation of Kyle's business strategy which is delivering high value, quality products and customized solutions and installations to the condo/multi-family, and single-family projects in the new construction markets, we anticipate that Kyle's will continue to effectively compete against the aforementioned competition.

Competitive Strengths

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

- ***Superior Name and reputation***. Established for over 40 years in its markets, Kyle's has built a strong reputation for best-in-class processes, product quality, and timeliness.

- ***Established Blue-Chip Clients***. Kyle's customer list includes a list of regional contractors in the area, many of whom have used Kyle's as their go-to cabinet vendor for many years.

- ***Streamlined Operations***. Kyle's CNC router process, along with other operational systems and refinements, helped Kyle's yield higher than average efficiencies, accuracy, and profitability.

- ***Diversified Capabilities***. Kyle's has diversified capabilities to support multi-family and commercial project work, providing flexibility toward trending markets and growth opportunities.

- ***Outstanding Growth Opportunities***. Kyle's portfolio, brand and reputation, and streamlined operational platform can be leveraged for expansion, both in existing regions, and other high-value surrounding areas.

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- ***Strong Regional Presence***. Kyle's has strong ties to the community. With nearly 100% business referral rate, Kyle's has built a significant amount of trust and goodwill in its region.

Growth Strategies

Kyle's will strive to grow its business by pursuing the following growth strategies.

- ***Product Line Expansion***. Kyle's capabilities extend to closets and garages, and management estimates there is an appropriate demand for these product lines among Kyle's current customer base. Kyle's may expand its product line to closets and garages.

- ***Geographic Expansion***. With more service requests in the surrounding area, there is immediate opportunities for expansion to homeowners and contractors located near Twin Falls, McCall, and Sun Valley areas of Idaho. We believe that Kyle's sophisticated business model would be received well by these surrounding areas

- ***Expansion to Multi-Family Projects***. Evidence of market demand is ongoing for multi-family projects, both within Kyle's current customer markets and within other potential customers. Given appropriate infrastructure to support the market's volume, immediate market penetration for multi-family projects could be achieved.

- ***Capacity and Infrastructure Expansion***. Kyle's plans to purchase more CNC machines and build a separate finishing facility with automated spray finishing for stains, clear lacquers and pigmented lacquers.

Employees

As of December 31, 2020, Kyle's employed 28 full-time employees. The following table sets forth the number of Kyle's employees by function.

Department/Function	Employees
Management	3
Office Employees	1
Design	3
Front End/ Build	7
Finish	4
Load/ Deliver	3
Install	4
Specialty	3
TOTALS	**28**

None of Kyle's employees are represented by labor unions, and Kyle's believes that it has an excellent relationship with its employees.

Regulation

Kyle's facilities are subject to Idaho Department of Environmental Quality in connection with air quality and regulations relating to pollution and the protection of the environment, including those governing emissions to air, discharges to water, storage, treatment and disposal of waste, remediation of contaminated sites and protection of worker health and safety. Kyle's believes that it is in substantial compliance with all applicable requirements. However, its efforts to comply with environmental requirements do not remove the risk that it may be held liable, or incur fines or penalties, and that the amount of liability, fines or penalties may be material, for, among other things, releases of hazardous substances occurring on or emanating from current or formerly owned or operated properties or any associated offsite disposal location, or for contamination discovered at any of its properties from activities conducted by previous occupants.

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

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

LAND MANAGEMENT SERVICES BUSINESS

Our land management services business is operated by Neese. This business segment accounted for approximately 43.3% and 100% of our total revenues for the years ended December 31, 2020 and 2019, respectively.

Overview

On March 3, 2017, we completed the acquisition of Neese. Headquartered in Grand Junction, Iowa and founded in 1991, Neese is an established business specializing in providing a wide range of land application services and selling equipment and parts, primarily to the agricultural industry, but also to the construction and lawn and garden industries. Neese's revenue mix is composed of waste disposal and a variety of agricultural services, wholesaling of agricultural equipment and parts, local trucking services, various shop services, and other products and services. Services to the local agricultural and farming communities include manure spreading, land rolling, bin whipping, cleaning of bulk storage bins and silos, equipment rental, trucking, vacuuming, building erection, and others.

Neese carries high-quality farm and ranch equipment from prominent manufacturers, including Buhler Versatile Tractors, Harvest International, Nuhn Industries Ltd., Twinstar, Fantini, Loftness, Roto-Grind, Sage Oil Vac, Dixie Chopper, and many others.

Products and Services

Waste Disposal, Land Application and other Services

Neese's largest revenue source is providing waste disposal, land application and other services, primarily for the agricultural industry, and to a lesser extent, industrial and municipal customers. Services to the local agricultural and farming communities include manure spreading, land rolling, bin whipping, cleaning all types of bulk storage bins and silos, equipment rental, trucking, vacuuming, building erection, and other services. Neese also has a fleet of trucks that haul products for a variety of customers. Service revenues accounted for approximately 50.1% and 65.9% of Neese's total revenues for the years ended December 31, 2020 and 2019, respectively.

Equipment and Parts Sales

Neese sells a wide range of farm and agricultural equipment. Some of the major brands offered include, but are not limited to, the following:

- Versatile Tractors, which have a heavy frame and powerful Cummins QSX 15-liter engine that are hard working with the lugging power to pull pans and clear land;
- Harvest International, which is a leading manufacturer of grain augers and grain handling equipment;
- Nuhn Industries Ltd., which is a leading manufacturer of liquid manure spreaders, liquid manure agitators, liquid manure pumps, and manure hauling equipment;
- Twinstar Basket rakes, which are designed to produce the highest quality hay;
- Fantini, which is a leading company in the production of corn and sunflower headers;
- Loftness crop shredders and grain baggers;
- Roto-Grind grain handling and storage equipment;
- Dixie Chopper, marketed as the world's fastest lawnmower; and

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● Sage Oil Vac's innovative, alternative fluid handling systems.

Sales of parts and equipment accounted for approximately 49.9% and 34.1% of Neese's total revenues for the years ended December 31, 2020 and 2019, respectively.

Pricing

Neese prices its products and services at what the market will bear. Pricing is generally determined by product and service mix, supply and demand, wholesale prices on equipment/parts, competitive forces, and other factors.

Supplier Relationships

Neese employs a variety of suppliers with one supplier representing 10% or more of our total purchases. Neese maintains close relationships with its suppliers. Neese's key vendors and suppliers are listed in the table below.

Supplier	Relationship Established (Year)	Product or Service Supplied	Total Purchases (2019)	Total Purchases (2020)	Percent of Purchases (2020)
Nuhn Industries	2002	Agricultural Equipment	$ 719,058	$ 1,724,401	42.3%
Quick Oil Co.	1993	Fuel	570,226	311,038	7.6%
Meyer Mfg	1993	Agricultural Equipment	180,776	106,374	2.6%
ComData	2009	Fuel	102,006	40,960	1.0%

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Products are purchased from these suppliers on an at-will basis. Such manufacturers could discontinue sales to Neese at any time or upon short notice. If any of these suppliers discontinued selling or were unable to continue selling to Neese, there could be a material adverse effect on our business and results of operations.

Relationships with suppliers are subject to change from time to time. Changes in Neese's relationships with suppliers occur periodically, and could positively or negatively impact our net sales and operating profits. However, we believe that we can be successful in mitigating negative effects resulting from unfavorable changes in the relationships between Neese and its suppliers through, among other things, the development of new or expanded supplier relationships. Please see Item 1A "*Risk Factors—Risks Related to Land Management Services Business—We depend upon manufacturers who may be unable to provide products of adequate quality or who may be unwilling to continue to supply products to us*" and Item 1A "*Risk Factors—Risks Related to Our Business and Structure—The coronavirus pandemic may cause a material adverse effect on our business*" for a description of the risks related to Neese's supplier relationships, including those associated with the coronavirus pandemic.

Sales and Marketing

Neese relies primarily on the following methods to generate new business:

- one inside salesperson;
- the founders' business development efforts;
- a corporate website: www.neeseinc.com;
- advertising in local/regional trade publications and newspapers;
- attending agricultural trade shows; and
- customer referrals.

We believe that Neese's growth to date is also the result of the creation and maintenance of an excellent reputation with numerous farms and other players throughout the agricultural community of central Iowa. In addition, we believe that the founders have been instrumental in building the account base through extensive industry experience and product knowledge. Neese has a firm commitment to product quality and timely delivery, and customer satisfaction.

Customers and Markets

Neese currently serves approximately 573 active accounts. The end user market is the agricultural industry (livestock and crop production markets). Neese also performs work for and sells to industrial and municipal customers. The general service area is within a 60-mile radius of Neese's headquarters in Grand Junction, Iowa.

We believe that Neese's established customer base is a strong asset that contributes to its stability and presents opportunities for sales growth. Neese has a diversified customer base without reliance on several large customers. For the year ended December 31, 2020, no customer accounted for more than 10% of sales.

Competition

The U.S. farm and garden equipment wholesalers industry includes manufacturers' wholesale sales branches as well as retail dealers in farm equipment, which are grouped with wholesalers because their products are sold primarily for business use rather than personal or household use. Large distributors have few economies of scale but can offer customers a wider range of products. Small distributors can compete successfully by holding exclusive territory rights to popular products.

Neese competes with numerous companies that offer similar products and/or services. We believe that Neese's primary competitive advantage is its decades-long, superior reputation for high quality products, service, reliability and stability, and safety record. Additionally, Neese is located in central Iowa, a strategic location due to its proximity to the State's agricultural industry and its easy access to Interstate 35.

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Competitive Strengths

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

- ***Name and reputation***. We believe that Neese enjoys a long-standing (25-year) reputation for its focus on offering a full line of new and used farm equipment and parts, and providing superior waste hauling, land application, and other services with competitive pricing and superior customer service.
- ***Strong customer relationships***. We believe that Neese has strong ties to hundreds of agricultural, industrial, and municipal organizations throughout its marketplace.
- ***Highly trained and professional staff***. We believe that Neese's personnel are its most important asset. Neese employs dedicated and highly skilled professionals who have extensive industry experience. In order to ensure that customers receive the most efficient and cost-effective service, Neese provides continuous safety and management training to its dedicated team of professionals.

Growth Strategies

We will strive to grow Neese's business by pursuing the following growth strategies.

- ***Expansion of product and service lines***. Neese plans to continue expanding its product and service lines based on management's assessment of customer needs.
- ***Expansion of trucking services***. Neese has increased its trucking business with a fleet of 13 trucks that it owns. The trucking business increases revenue during times when waste hauling is not as busy.
- ***Increased sales and marketing***. Neese also plans to continue spending additional resources on sales and marketing personnel and strategies in order to secure new client accounts.

Intellectual Property

We do not own or license any material intellectual property in connection with the operation of Neese.

Employees

As of December 31, 2020, Neese employed 21 full-time employees, as depicted in the table below.

Department/Function	Employees
Management	2
Office Employees	3
Truck Drivers	8
Mechanics	2
General Labor	3
Sales	0
Product Supervisors	3
TOTALS	**21**

None of Neese's employees are represented by labor unions, and Neese believes that it has an excellent relationship with its employees.

Regulation

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Neese is subject to a wide variety of laws and regulations, which historically have not had a material effect on our business. For example, most of the products sold and service provided are regulated by a host of state and federal agencies, including, one or more of the following: the Environmental Protection Agency, the Iowa Department of Natural Resources and the Consumer Products Safety Commission. Since we are a wholesaler (and not a manufacturer) of these products, responsibility for compliance generally falls upon the manufacturer. Neese is required to hold a commercial manure handler license which requires an annual training program.

ITEM 1A. RISK FACTORS.

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

Risks Related to Our Business and Structure

The coronavirus pandemic may cause a material adverse effect on our business.

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The virus has since spread to over 150 countries and every state in the United States. On March 11, 2020, the World Health Organization declared the outbreak a pandemic, and on March 13, 2020, the United States declared a national emergency. Most states and cities have reacted by instituting quarantines, restrictions on travel, "stay at home" rules and restrictions on the types of businesses that may continue to operate, as well as guidance in response to the pandemic and the need to contain it.

Effective March 18, 2020, the County of Sonoma, California issued a shelter in place order. Pursuant to this order, non-essential businesses were ordered to close. Asien's was qualified as an essential business and remained open under a modified service plan whereby customers were allowed access to the demonstration floor by appointment only with access limited to one customer party (following published guidelines a customer party was defined as no more than three adults and no children). Effective June 6, 2020, Sonoma County modified the retail guidelines for essential businesses and Asien's store allowed access for retail customer parties without appointment but with limitations on the number of individuals allowed in the store. Asien's has remained open since this date under these modified occupancy restrictions, so it did not experience any meaningful business interruption. However, Asien's is dependent upon suppliers to provide it with all of the products that its sells. The pandemic has impacted and may continue to impact suppliers and manufacturers of certain of its products. As a result, Asien's has faced and may continue to face delays or difficulty sourcing certain products, which could negatively affect its business and financial results. Even if Asien's is able to find alternate sources for such products, they may cost more, which could adversely impact Asien's profitability and financial condition.

Idaho, where Kyle's is located, issued a "stay at home" order beginning on March 27, 2020. The order was initially in place until April 15, then undergone several extensions, and was lifted on April 30, 2020. Currently, the state is under Stage 3 of Stay Healthy Guidelines, which allow businesses and governmental agencies to continue operations at physical locations in the state of Idaho; however, all individuals, businesses, and governmental agencies should adhere to the physical distancing and sanitation requirements prescribed. Kyle's was in an industry designated as Essential Critical Infrastructure Workforce and remained operational during the "stay at home" order; as such, Kyle's remained, and continues to do so, observant to social-distancing and mask-wearing guidance and all other State, County and City mandates. Therefore, there was minimal disruption to Kyle's business operations during the Idaho's "stay at home" period. However, during the "stay at home" period, certain key customers of Kyle's elected to either temporarily stop building homes or delayed their building process, which adversely affected Kyle's sales. As a result, Kyle's generated comparatively lower-than-expected sales. Further, during the "stay at home" period, several of Kyle's employees had taken time off because of medical experiences, and certain of them did not return to employment. Kyle's has been hiring and training new employees to replace lost productivity because of the aforementioned loss of employees. Kyle's did not experience any meaningful business interruption related to any of its key suppliers; although recently, potentially as a result of the pandemic and resulting impact, Kyle's has seen price increases in certain key raw materials such as wood products and hardware. These increases may negatively affect Kyle's profitability and financial condition. Kyle's endeavors to best observe guidance from the State of Idaho and to provide a safe working environment to its employees. If the pandemic is not sufficiently contained, it may continue to negatively affect Kyle's ability to generate sales opportunities and to hire productive employees, as well as impact the cost of raw materials. Therefore, Kyle's business operations may experience further delays and experience lost sales opportunities and increased costs, which could further adversely impact Kyle's profitability and financial condition.

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In Iowa, where Neese is located, non-essential businesses in certain counties, include where Neese's principal office is located, began re-opening on May 1, 2020, but the pandemic has had a negative effect on business activity throughout Iowa. Neese is also dependent upon suppliers to provide it with all of the equipment and parts that it sells, and several have notified it of disruptions to their production and/or supply chain related to the pandemic. Any business disruption or failure of these suppliers to meet delivery requirements and commitments may cause delays in future shipments and potential lost or delayed revenue.

If the current pace of the pandemic cannot be slowed and the spread of the virus is not contained, our business operations could be further delayed or interrupted. We expect that government and health authorities may announce new or extend existing restrictions, which could require us to make further adjustments to our operations in order to comply with any such restrictions. We may also experience limitations in employee resources. In addition, our operations could be disrupted if any of our employees were suspected of having the virus, which could require quarantine of some or all such employees or closure of our facilities for disinfection. We may also delay or reduce certain capital spending and related projects until the travel and logistical impacts of the pandemic are lifted, which will delay the completion of such projects. The duration of any business disruption cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs.

Further, our customers' financial condition may be adversely impacted as a result of the impacts of the coronavirus and efforts taken to prevent its spread, which could result in reduced demand for our products.

The extent to which the pandemic may impact our results will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this prospectus, including new information that may emerge concerning the severity of the pandemic and steps taken to contain the pandemic or treat its impact, among others. Nevertheless, the pandemic and the current financial, economic and capital markets environment, and future developments in the global supply chain and other areas present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows.

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

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

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

- the inability to integrate effectively the operations, products, technologies and personnel of the acquired companies (some of which are in diverse geographic regions) and achieve expected synergies;
- the potential disruption of existing business and diversion of management's attention from day-to-day operations;
- the inability to maintain uniform standards, controls, procedures and policies;
- the need or obligation to divest portions of the acquired companies;
- the potential failure to identify material problems and liabilities during due diligence review of acquisition targets;
- the potential failure to obtain sufficient indemnification rights to fully offset possible liabilities associated with acquired businesses; and
- the challenges associated with operating in new geographic regions.

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We have a limited operating history and we may not be able to manage our businesses on a profitable basis.

We were formed on January 22, 2013 and operated a management consulting business from inception through October 3, 2017. In March 2017, we acquired Neese, which is a business that provides a wide range of products and services for the agriculture, construction, lawn and garden industries. In April 2019, we acquired the assets of Goedeker Television, a one-stop e-commerce destination for home furnishings, which we subsequently spun-off pursuant our distribution of all of our shares of Goedeker that we held to our shareholders. In May 2020, we acquired Asien's, which provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing in the North Bay area of Sonoma County, California. In September 2020, we acquired Kyle's, a leading custom cabinetry maker servicing contractors and homeowners since 1976 in Boise, Idaho and the surrounding area. In March 2021, we acquired Wolo, which designs and manufactures horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), and offers vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles. We plan to acquire additional operating businesses in the future.

Our manager will manage the day-to-day operations and affairs of our company and oversee the management and operations of our businesses, subject to the oversight of our board of directors. If we do not develop effective systems and procedures, including accounting and financial reporting systems, to manage our operations as a consolidated public company, we may not be able to manage the combined enterprise on a profitable basis, which could adversely affect our ability to pay distributions to our shareholders.

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

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

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

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

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

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

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We face competition for businesses that fit our acquisition strategy and, therefore, we may have to acquire targets at sub-optimal prices or, alternatively, forego certain acquisition opportunities.

We have been formed to acquire and manage small businesses. In pursuing such acquisitions, we expect to face strong competition from a wide range of other potential purchasers. Although the pool of potential purchasers for such businesses is typically smaller than for larger businesses, those potential purchasers can be aggressive in their approach to acquiring such businesses. Furthermore, we expect that we may need to use third-party financing in order to fund some or all of these potential acquisitions, thereby increasing our acquisition costs. To the extent that other potential purchasers do not need to obtain third-party financing or are able to obtain such financing on more favorable terms, they may be in a position to be more aggressive with their acquisition proposals. As a result, in order to be competitive, our acquisition proposals may need to be aggressively priced, including at price levels that exceed what we originally determined to be fair or appropriate. Alternatively, we may determine that we cannot pursue on a cost-effective basis what would otherwise be an attractive acquisition opportunity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may decide to engage in a business transaction with one or more target businesses with which our executive officers, our directors, our manager, our manager's employees, our manager's operating partners, or any of their respective affiliates, have a relationship, which may create or present conflicts of interest. Regardless of whether we obtain a fairness opinion from an independent investment banking firm with respect to such a transaction, conflicts of interest may still exist with respect to a particular acquisition and, as a result, the terms of the acquisition of a target business may not be as advantageous to our shareholders as it would have been absent any conflicts of interest.

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

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

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

We have the ability to make investments in businesses that we will not operate or control. If we make significant investments in businesses that we do not operate or control, or that we cease to operate or control, or if we commence certain investment-related activities, we may be deemed to be an investment company under the Investment Company Act. Our decision to sell a business will be based upon financial, operating and other considerations rather than a plan to complete a sale of a business within any specific time frame. If we were deemed to be an investment company, we would either have to register as an investment company under the Investment Company

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Act, obtain exemptive relief from the SEC or modify our investments or organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially adversely affect our financial condition, business and results of operations, materially limit our ability to borrow funds or engage in other transactions involving leverage and require us to add directors who are independent of us or our manager and otherwise will subject us to additional regulation that will be costly and time-consuming.

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

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

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

During its evaluation of the effectiveness of internal control over financial reporting as of December 31, 2020, management identified material weaknesses. These material weaknesses were associated with our lack of (i) appropriate policies and procedures to evaluate the proper accounting and disclosures of key documents and agreements, (ii) adequate segregation of duties with our limited accounting personnel and reliance upon outsourced accounting services and (iii) sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of GAAP commensurate with our financial reporting requirements. We are undertaking remedial measures, which measures will take time to implement and test, to address these material weaknesses. There can be no assurance that such measures will be sufficient to remedy the material weaknesses identified or that additional material weaknesses or other control or significant deficiencies will not be identified in the future. If we continue to experience material weaknesses in our internal controls or fail to maintain or implement required new or improved controls, such circumstances could cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements, or adversely affect the results of periodic management evaluations and, if required, annual auditor attestation reports. Each of the foregoing results could cause investors to lose confidence in our reported financial information and lead to a decline in our share price.

Risks Related to Our Relationship with Our Manager

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

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

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

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

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

Although our Chief Executive Officer intends to devote substantially all of his time to the affairs of our company and our manager must present all opportunities that meet our company's acquisition and disposition criteria to our board of directors, neither our manager nor our Chief Executive Officer is expressly prohibited from investing in or managing other entities. In this regard, the management services agreement and the obligation to provide management services will not create a mutually exclusive relationship between our manager and its affiliates, on the one hand, and our company, on the other. See Item 1 "*Business—Our Manager*" for more information about our relationship with our manager and our management team.

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

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

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

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

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

If: (i) the management services agreement is terminated at any time other than as a result of our manager's resignation, subject to (ii); or (ii) our manager resigns, our manager will have the right, but not the obligation, for one year from the date of termination or resignation, as the case may be, to cause our company to purchase the allocation shares for the put price. The put price shall be equal to, as of any exercise date: (i) if we terminate the management services agreement, the sum of two separate, independently made calculations

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of the aggregate amount of the "base put price amount" as of such exercise date; or (ii) if our manager resigns, the average of two separate, independently made calculations of the aggregate amount of the "base put price amount" as of such exercise date. If our manager elects to cause our company to purchase its allocation shares, we are obligated to do so and, until we have done so, our ability to conduct our business, including our ability to incur debt, to sell or otherwise dispose of our property or assets, to engage in certain mergers or consolidations, to acquire or purchase the property, assets or stock of, or beneficial interests in, another business, or to declare and pay distributions, would be restricted. These financial and operational obligations of our company may have a material adverse effect on our financial condition, business and results of operations. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Supplemental Put Provision*" for more information about our manager's put right and our obligations relating thereto, as well as the definition and calculation of the base put price amount.

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

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

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

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

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

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

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

Our company will record the allocation shares at the redemption value at each balance sheet date by recording any change in fair value through its income statement as a dividend between net income and net income available to common shareholders. The redemption value of the allocation shares is largely related to the value of the profit allocation that our manager, as holder of the allocation shares, will

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receive. The redemption value of the allocation shares may fluctuate on a period-to-period basis based on the distributions we pay to our common shareholders, the earnings of our businesses and the price of our common shares, which fluctuation may be significant, and could cause a material adverse effect on our company's results of operations. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder*" for more information about the terms and calculation of the profit allocation and any payments under the supplemental put provisions of our operating agreement.

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

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

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

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

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

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

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

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

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

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

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

Under the management services agreement, our company will be obligated to pay a management fee to and, subject to certain conditions, reimburse the costs and out-of-pocket expenses of our manager incurred on behalf of our company in connection with the provision of services to our company. Similarly, our businesses will be obligated to pay fees to and reimburse the costs and expenses of our manager pursuant to any offsetting management services agreements entered into between our manager and our businesses, or any transaction services agreements to which such businesses are a party. In addition, our manager, as holder of the allocation shares, will be entitled to receive a profit allocation upon satisfaction of applicable conditions to payment and may be entitled to receive the put price upon the occurrence of certain events. While we cannot quantify with any certainty the actual amount of any such payments in the future, we do expect that such amounts could be substantial. See Item 1 "*Business—Our Manager*" for more information about these payment obligations of our company. The management fee, put price and profit allocation will be payment obligations of our company and, as a result, will be senior in right to the payment of any distributions to our shareholders. Likewise, the profit allocation may also significantly reduce the cash available for operations.

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

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

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

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

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

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

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

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

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If we do not have sufficient liquid assets to pay the management fee and profit allocation, including the put price, when such payments are due and payable, we may be required to liquidate assets or incur debt in order to make such payments. This circumstance could materially adversely affect our liquidity and ability to make distributions to our shareholders. See "Our Manager" for more information about these payment obligations of our company.

Risks Related to Taxation

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

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

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

Generally, the determination of a holder's distributive share of any item of income, gain, loss, deduction, or credit of a partnership is governed by the operating agreement. The income tax laws governing the allocation of company income, gains, losses, deductions or credits set forth in a particular Schedule K-1 are complex and there can be no assurance that the IRS would not successfully challenge any allocation set forth in any such Schedule K-1. Whether an allocation set forth in any particular K-1 issued to a shareholder will be accepted by the IRS depends on a facts and circumstances analysis of the underlying economic arrangement of our company's shareholders. If the IRS were to prevail in challenging the allocations provided by the operating agreement, the amount of income or loss allocated to holders for U.S. federal income tax purposes could be increased or reduced or the character of the income or loss could be modified. See "*Material U.S. Federal Income Tax Considerations*" included in our prospectus, dated November 12, 2020 and filed with the SEC on November 13, 2020, relating to our registration statement on Form S-1 (registration No. 333-249752), for more information.

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

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

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of "passive-type" income. Our company expects to realize sufficient qualifying income to satisfy the qualifying income exception. Our company also expects that we will not be required to register under the Investment Company Act.

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

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

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

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

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

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

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

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

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

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

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

Risks related to recently enacted legislation.

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

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

Risks Related to Retail and Appliances Business

If we fail to acquire new customers or retain existing customers, or fail to do so in a cost-effective manner, we may not be able to achieve profitability.

Our success depends on our ability to acquire and retain customers in a cost-effective manner. We have made significant investments related to customer acquisition and expect to continue to spend significant amounts to acquire additional customers. We cannot assure you that the net profit from new customers we acquire will ultimately exceed the cost of acquiring those customers. If we fail to deliver a quality shopping experience, or if consumers do not perceive the products we offer to be of high value and quality, we may not be able to acquire new customers. If we are unable to acquire new customers who purchase products in numbers sufficient to grow our business, we may not be able to generate the scale necessary to drive beneficial network effects with our suppliers or efficiencies in our logistics network, our net revenue may decrease, and our business, financial condition and operating results may be materially adversely affected.

We believe that many of our new customers originate from word-of-mouth and other non-paid referrals from existing customers. Therefore, we must ensure that our existing customers remain loyal to us in order to continue receiving those referrals. If our efforts to satisfy our existing customers are not successful, we may not be able to acquire new customers in sufficient numbers to continue to grow our business, or we may be required to incur significantly higher marketing expenses in order to acquire new customers.

Our success depends in part on our ability to increase our net revenue per active customer. If our efforts to increase customer loyalty and repeat purchasing as well as maintain high levels of customer engagement are not successful, our growth prospects and revenue will be materially adversely affected.

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Our ability to grow our business depends on our ability to retain our existing customer base and generate increased revenue and repeat purchases from this customer base, and maintain high levels of customer engagement. To do this, we must continue to provide our customers and potential customers with a unified, convenient, efficient and differentiated shopping experience by:

- providing imagery, tools and technology that attract customers who historically would have bought elsewhere;
- maintaining a high-quality and diverse portfolio of products;
- delivering products on time and without damage; and
- maintaining and further developing our in-store and online platforms.

If we fail to increase net revenue per active customer, generate repeat purchases or maintain high levels of customer engagement, our growth prospects, operating results and financial condition could be materially adversely affected.

Our business depends on our ability to build and maintain strong brands. We may not be able to maintain and enhance our brands if we receive unfavorable customer complaints, negative publicity or otherwise fail to live up to consumers' expectations, which could materially adversely affect our business, results of operations and growth prospects.

Maintaining and enhancing our brands is critical to expanding our base of customers and suppliers. Our ability to maintain and enhance our brand depends largely on our ability to maintain customer confidence in our product and service offerings, including by delivering products on time and without damage. If customers do not have a satisfactory shopping experience, they may seek out alternative offerings from our competitors and may not return to our stores and sites as often in the future, or at all. In addition, unfavorable publicity regarding, for example, our practices relating to privacy and data protection, product quality, delivery problems, competitive pressures, litigation or regulatory activity, could seriously harm our reputation. Such negative publicity also could have an adverse effect on the size, engagement, and loyalty of our customer base and result in decreased revenue, which could adversely affect our business and financial results.

In addition, maintaining and enhancing these brands may require us to make substantial investments, and these investments may not be successful. If we fail to promote and maintain our brands, or if we incur excessive expenses in this effort, our business, operating results and financial condition may be materially adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brands may become increasingly difficult and expensive. Maintaining and enhancing our brands will depend largely on our ability to provide high quality products to our customers and a reliable, trustworthy and profitable sales channel to our suppliers, which we may not be able to do successfully.

Customer complaints or negative publicity about our sites, products, delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and our sites, could rapidly and severely diminish consumer use of our sites and consumer and supplier confidence in us and result in harm to our brands.

Our efforts to expand our business into new brands, products, services, technologies, and geographic regions will subject us to additional business, legal, financial, and competitive risks and may not be successful.

Our business success depends to some extent on our ability to expand our customer offerings by launching new brands and services and by expanding our existing offerings into new geographies. Launching new brands and services or expanding geographically requires significant upfront investments, including investments in marketing, information technology, and additional personnel. We may not be able to generate satisfactory revenue from these efforts to offset these costs. Any lack of market acceptance of our efforts to launch new brands and services or to expand our existing offerings could have a material adverse effect on our business, prospects, financial condition and results of operations. Further, as we continue to expand our fulfillment capability or add new businesses with different requirements, our logistics networks become increasingly complex and operating them becomes more challenging. There can be no assurance that we will be able to operate our networks effectively.

We have also entered and may continue to enter into new markets in which we have limited or no experience, which may not be successful or appealing to our customers. These activities may present new and difficult technological and logistical challenges, and resulting service disruptions, failures or other quality issues may cause customer dissatisfaction and harm our reputation and brand. Further, our current

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and potential competitors in new market segments may have greater brand recognition, financial resources, longer operating histories and larger customer bases than we do in these areas. As a result, we may not be successful enough in these newer areas to recoup our investments in them. If this occurs, our business, financial condition and operating results may be materially adversely affected.

If we fail to manage our growth effectively, our business, financial condition and operating results could be harmed.

To manage our growth effectively, we must continue to implement our operational plans and strategies, improve and expand our infrastructure of people and information systems and expand, train and manage our employee base. We have rapidly increased employee headcount since our inception to support the growth in our business. To support continued growth, we must effectively integrate, develop and motivate a large number of new employees. We face significant competition for personnel. Failure to manage our hiring needs effectively or successfully integrate our new hires may have a material adverse effect on our business, financial condition and operating results.

Additionally, the growth of our business places significant demands on our operations, as well as our management and other employees. For example, we typically launch hundreds of promotional events across thousands of products each month on our sites via emails and personalized displays. These events require us to produce updates of our sites and emails to our customers on a daily basis with different products, photos and text. Any surge in online traffic and orders associated with such promotional activities places increased strain on our operations, including our logistics network, and may cause or exacerbate slowdowns or interruptions. The growth of our business may require significant additional resources to meet these daily requirements, which may not scale in a cost-effective manner or may negatively affect the quality of our sites and customer experience. We are also required to manage relationships with a growing number of suppliers, customers and other third parties. Our information technology systems and our internal controls and procedures may not be adequate to support future growth of our supplier and employee base. If we are unable to manage the growth of our organization effectively, our business, financial condition and operating results may be materially adversely affected.

Our ability to obtain continued financing is critical to the growth of our business. We will need additional financing to fund operations, which additional financing may not be available on reasonable terms or at all.

Our future growth, including the potential for future market expansion will require additional capital. We will consider raising additional funds through various financing sources, including the procurement of additional commercial debt financing. However, there can be no assurance that such funds will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to execute our growth strategy, and operating results may be adversely affected. Any additional debt financing will increase expenses and must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility.

Our ability to obtain financing may be impaired by such factors as the capital markets, both generally and specifically in our industry, which could impact the availability or cost of future financings. If the amount of capital we are able to raise from financing activities, together with our revenues from operations, are not sufficient to satisfy our capital needs, we may be required to decrease the pace of, or eliminate, our future product offerings and market expansion opportunities and potentially curtail operations.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

Our business is rapidly evolving and intensely competitive, and we have many competitors in different industries. Our competition includes big box retailers, such as Home Depot, Lowe’s and Best Buy, specialty retailers, such as TeeVax, Ferguson and Premier Bath and Kitchen, and online marketplaces, such as Amazon.

We expect competition to continue to increase. We believe that our ability to compete successfully depends upon many factors both within and beyond our control, including:

- the size and composition of our customer base;
- the number of suppliers and products we feature;
- our selling and marketing efforts;
- the quality, price and reliability of products we offer;

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- the quality and convenience of the shopping experience that we provide;
- our ability to distribute our products and manage our operations; and
- our reputation and brand strength.

Many of our current competitors have, and potential competitors may have, longer operating histories, greater brand recognition, larger fulfillment infrastructures, greater technical capabilities, faster and less costly shipping, significantly greater financial, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to derive greater net revenue and profits from their existing customer base, acquire customers at lower costs or respond more quickly than we can to new or emerging technologies and changes in consumer habits. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases or generate net revenue from their customer bases more effectively than we do.

Our success depends, in substantial part, on our continued ability to market our products through search engines and social media platforms.

The marketing of our products depends on our ability to cultivate and maintain cost-effective and otherwise satisfactory relationships with search engines and social media platforms, including those operated by Google, Facebook, Bing and Yahoo! These platforms could decide to change their terms and conditions of use at any time (and without notice) and/or significantly increase their fees. No assurances can be provided that we will be able to maintain cost-effective and otherwise satisfactory relationships with these platforms and our inability to do so in the case of one or more of these platforms could have a material adverse effect on our business, financial condition and results of operations.

We obtain a significant number of visits via search engines such as Google, Bing and Yahoo! Search engines frequently change the algorithms that determine the ranking and display of results of a user's search and may make other changes to the way results are displayed, which can negatively affect the placement of links and, therefore, reduce the number of visits to our website. The growing use of online ad-blocking software may also impact the success of our marketing efforts because we may reach a smaller audience and fail to bring more customers to our website, which could have a material adverse effect on our business, financial condition and results of operations.

System interruptions that impair customer access to our sites or other performance failures or incidents involving our logistics network, our technology infrastructure or our critical technology partners could damage our business, reputation and brand and substantially harm our business and results of operations.

The satisfactory performance, reliability and availability of our sites, transaction processing systems, logistics network, and technology infrastructure are critical to our reputation and our ability to acquire and retain customers, as well as maintain adequate customer service levels.

For example, if one of our data centers fails or suffers an interruption or degradation of services, we could lose customer data and miss order fulfillment deadlines, which could harm our business. Our systems and operations, including our ability to fulfill customer orders through our logistics network, are also vulnerable to damage or interruption from inclement weather, fire, flood, power loss, telecommunications failure, terrorist attacks, labor disputes, cyber-attacks, data loss, acts of war, break-ins, earthquake and similar events. In the event of a data center failure, the failover to a back-up could take substantial time, during which time our sites could be completely shut down. Further, our back-up services may not effectively process spikes in demand, may process transactions more slowly and may not support all of our site's functionality.

We use complex proprietary software in our technology infrastructure, which we seek to continually update and improve. We may not always be successful in executing these upgrades and improvements, and the operation of our systems may be subject to failure. In particular, we have in the past and may in the future experience slowdowns or interruptions on some or all of our sites when we are updating them, and new technologies or infrastructures may not be fully integrated with existing systems on a timely basis, or at all. Additionally, if we expand our use of third-party services, including cloud-based services, our technology infrastructure may be subject to increased risk of slowdown or interruption as a result of integration with such services and/or failures by such third parties, which are

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out of our control. Our net revenue depends on the number of visitors who shop on our sites and the volume of orders we can handle. Unavailability of our sites or reduced order fulfillment performance would reduce the volume of goods sold and could also materially adversely affect consumer perception of our brand.

We may experience periodic system interruptions from time to time. In addition, continued growth in our transaction volume, as well as surges in online traffic and orders associated with promotional activities or seasonal trends in our business, place additional demands on our technology platform and could cause or exacerbate slowdowns or interruptions. If there is a substantial increase in the volume of traffic on our sites or the number of orders placed by customers, we may be required to further expand and upgrade our technology, logistics network, transaction processing systems and network infrastructure. There can be no assurance that we will be able to accurately project the rate or timing of increases, if any, in the use of our sites or expand and upgrade our systems and infrastructure to accommodate such increases on a timely basis. In order to remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our sites, which is particularly challenging given the rapid rate at which new technologies, customer preferences and expectations and industry standards and practices are evolving in the e-commerce industry. Accordingly, we redesign and enhance various functions on our sites on a regular basis, and we may experience instability and performance issues as a result of these changes.

Any slowdown, interruption or performance failure of our sites and the underlying technology and logistics infrastructure could harm our business, reputation and our ability to acquire, retain and serve our customers, which could materially adversely affect our results of operations.

Our failure or the failure of third-party service providers to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We collect, maintain, transmit and store data about our customers, employees, contractors, suppliers, vendors and others, including credit card information and personally identifiable information, as well as other confidential and proprietary information. We also employ third-party service providers that store, process and transmit certain proprietary, personal and confidential information on our behalf. We rely on encryption and authentication technology licensed from third parties in an effort to securely transmit, encrypt, anonymize or pseudonymize certain confidential and sensitive information, including credit card numbers. Advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of this technology to protect transaction and personal data or other confidential and sensitive information from being breached or compromised. Our security measures, and those of our third-party service providers, may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our sites, networks and systems or that we or our third-party service providers otherwise maintain, including payment card systems and human resources management platforms. We and our service providers may not anticipate or prevent all types of attacks until after they have already been launched, and techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships.

Breaches of our security measures or those of our third-party service providers or cyber security incidents could result in unauthorized access to our sites, networks and systems; unauthorized access to and misappropriation of personal information, including consumers' and employees' personally identifiable information, or other confidential or proprietary information of ourselves or third parties; limited or terminated access to certain payment methods or fines or higher transaction fees to use such methods; viruses, worms, spyware or other malware being served from our sites, networks or systems; deletion or modification of content or the display of unauthorized content on our sites; interruption, disruption or malfunction of operations; costs relating to breach remediation, deployment or training of additional personnel and protection technologies, responses to governmental investigations and media inquiries and coverage; engagement of third party experts and consultants; litigation, regulatory action and other potential liabilities. If any of these breaches of security occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches and we could be exposed to a risk of loss, litigation or regulatory action and possible liability. In addition, any party who is able to illicitly obtain a customer's password could access that customer's transaction data or personal information. Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, financial condition and operating results. We may need to

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devote significant resources to protect against security breaches or to address problems caused by breaches, diverting resources from the growth and expansion of our business.

We may be subject to product liability and other similar claims if people or property are harmed by the products we sell.

Some of the products we sell may expose us to product liability and other claims and litigation (including class actions) or regulatory action relating to safety, personal injury, death or environmental or property damage. Some of our agreements with members of our supply chain may not indemnify us from product liability for a particular product, and some members of our supply chain may not have sufficient resources or insurance to satisfy their indemnity and defense obligations. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all.

Risks associated with the suppliers from whom our products are sourced could materially adversely affect our financial performance as well as our reputation and brand.

We depend on our ability to provide our customers with a wide range of products from qualified suppliers in a timely and efficient manner. Political and economic instability, the financial stability of suppliers, suppliers' ability to meet our standards, labor problems experienced by suppliers, the availability or cost of raw materials, merchandise quality issues, currency exchange rates, trade tariff developments, transport availability and cost, transport security, inflation, and other factors relating to our suppliers are beyond our control.

Our agreements with most of our suppliers do not provide for the long-term availability of merchandise or the continuation of particular pricing practices, nor do they usually restrict such suppliers from selling products to other buyers. There can be no assurance that our current suppliers will continue to seek to sell us products on current terms or that we will be able to establish new or otherwise extend current supply relationships to ensure product acquisitions in a timely and efficient manner and on acceptable commercial terms. Our ability to develop and maintain relationships with reputable suppliers and offer high quality merchandise to our customers is critical to our success. If we are unable to develop and maintain relationships with suppliers that would allow us to offer a sufficient amount and variety of quality merchandise on acceptable commercial terms, our ability to satisfy our customers' needs, and therefore our long-term growth prospects, would be materially adversely affected.

Further, we rely on our suppliers' representations of product quality, safety and compliance with applicable laws and standards. If our suppliers or other vendors violate applicable laws, regulations or our supplier code of conduct, or implement practices regarded as unethical, unsafe, or hazardous to the environment, it could damage our reputation and negatively affect our operating results. Further, concerns regarding the safety and quality of products provided by our suppliers could cause our customers to avoid purchasing those products from us, or avoid purchasing products from us altogether, even if the basis for the concern is outside of our control. As such, any issue, or perceived issue, regarding the quality and safety of any items we sell, regardless of the cause, could adversely affect our brand, reputation, operations and financial results.

We also are unable to predict whether any of the countries in which our suppliers' products are currently manufactured or may be manufactured in the future will be subject to new, different, or additional trade restrictions imposed by the U.S. or foreign governments or the likelihood, type or effect of any such restrictions. Any event causing a disruption or delay of imports from suppliers with international manufacturing operations, including the imposition of additional import restrictions, restrictions on the transfer of funds or increased tariffs or quotas, could increase the cost or reduce the supply of merchandise available to our customers and materially adversely affect our financial performance as well as our reputation and brand. Furthermore, some or all of our suppliers' foreign operations may be adversely affected by political and financial instability, resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds or other trade disruptions.

In addition, our business with foreign suppliers may be affected by changes in the value of the U.S. dollar relative to other foreign currencies. For example, any movement by any other foreign currency against the U.S. dollar may result in higher costs to us for those goods. Declines in foreign currencies and currency exchange rates might negatively affect the profitability and business prospects of one or more of our foreign suppliers. This, in turn, might cause such foreign suppliers to demand higher prices for merchandise in their effort to offset any lost profits associated with any currency devaluation, delay merchandise shipments, or discontinue selling to us altogether, any of which could ultimately reduce our sales or increase our costs.

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Our suppliers have imposed conditions in our business arrangements with them. If we are unable to continue satisfying these conditions, or such suppliers impose additional restrictions with which we cannot comply, it could have a material adverse effect on our business, financial condition and operating results.

Our suppliers have strict conditions for doing business with them. Several are sizeable such as General Electric, Whirlpool and Riggs Distributing. If we cannot satisfy these conditions or if they impose additional or more restrictive conditions that we cannot satisfy, our business would be materially adversely affected. It would be materially detrimental to our business if these suppliers decided to no longer do business with us, increased the pricing at which they allow us to purchase their goods or impose other restrictions or conditions that make it more difficult for us to work with them. Any of these events could have a material adverse effect on our business, financial condition and operating results.

We may be unable to source new suppliers or strengthen our relationships with current suppliers.

We have relationships with approximately 24 suppliers. Our agreements with suppliers are generally terminable at will by either party upon short notice. If we do not maintain our existing relationships or build new relationships with suppliers on acceptable commercial terms, we may not be able to maintain a broad selection of merchandise, and our business and prospects would suffer severely.

In order to attract quality suppliers, we must:

- demonstrate our ability to help our suppliers increase their sales;
- offer suppliers a high quality, cost-effective fulfillment process; and
- continue to provide suppliers with a dynamic and real-time view of our demand and inventory needs.

If we are unable to provide our suppliers with a compelling return on investment and an ability to increase their sales, we may be unable to maintain and/or expand our supplier network, which would negatively impact our business.

We depend on our suppliers to perform certain services regarding the products that we offer.

As part of offering our suppliers' products for sale on our sites, suppliers are often responsible for conducting a number of traditional retail operations with respect to their respective products, including maintaining inventory and preparing merchandise for shipment to our customers. In these instances, we may be unable to ensure that suppliers will perform these services to our or our customers' satisfaction in a manner that provides our customer with a unified brand experience or on commercially reasonable terms. If our customers become dissatisfied with the services provided by our suppliers, our business, reputation and brands could suffer.

We depend on our relationships with third parties, and changes in our relationships with these parties could adversely impact our revenue and profits.

We rely on third parties to operate certain elements of our business. For example, we use carriers such as FedEx, UPS, DHL and the U.S. Postal Service to deliver products. As a result, we may be subject to shipping delays or disruptions caused by inclement weather, natural disasters, system interruptions and technology failures, labor activism, health epidemics or bioterrorism. We are also subject to risks of breakage or other damage during delivery by any of these third parties. We also use and rely on other services from third parties, such as retail partner services, telecommunications services, customs, consolidation and shipping services, as well as warranty, installation and design services.

We may be unable to maintain these relationships, and these services may also be subject to outages and interruptions that are not within our control. For example, failures by our telecommunications providers have in the past and may in the future interrupt our ability to provide phone support to our customers. Third parties may in the future determine they no longer wish to do business with us or may decide to take other actions or make changes to their practices that could harm our business. We may also determine that we no longer want to do business with them. If products are not delivered in a timely fashion or are damaged during the delivery process, or if we are not able to provide adequate customer support or other services or offerings, our customers could become dissatisfied and cease buying products through our sites, which would adversely affect our operating results.

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The seasonal trends in our business create variability in our financial and operating results and place increased strain on our operations.

We experience surges in orders associated with promotional activities and seasonal trends. This activity may place additional demands on our technology systems and logistics network and could cause or exacerbate slowdowns or interruptions. Any such system, site or service interruptions could prevent us from efficiently receiving or fulfilling orders, which may reduce the volume or quality of goods or services we sell and may cause customer dissatisfaction and harm our reputation and brand.

Our business may be adversely affected if we are unable to provide our customers a cost-effective shopping platform that is able to respond and adapt to rapid changes in technology.

The number of people who access the Internet through devices other than personal computers, including mobile phones, smartphones, handheld computers such as notebooks and tablets, video game consoles, and television set-top devices, has increased dramatically in the past few years. We continually upgrade existing technologies and business applications to keep pace with these rapidly changing and continuously evolving technologies, and we may be required to implement new technologies or business applications in the future. The implementation of these upgrades and changes requires significant investments and as new devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and platforms. Additionally, we may need to devote significant resources to the support and maintenance of such applications once created. Our results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure to accommodate such alternative devices and platforms. Further, in the event that it is more difficult or less compelling for our customers to buy products from us on their mobile or other devices, or if our customers choose not to buy products from us on such devices or to use mobile or other products that do not offer access to our sites, our customer growth could be harmed and our business, financial condition and operating results may be materially adversely affected.

Significant merchandise returns could harm our business.

We allow our customers to return products, subject to our return policy. If merchandise returns are significant, our business, prospects, financial condition and results of operations could be harmed. Further, we modify our policies relating to returns from time to time, which may result in customer dissatisfaction or an increase in the number of product returns. Many of our products are large and require special handling and delivery. From time to time our products are damaged in transit, which can increase return rates and harm our brand.

Uncertainties in economic conditions and their impact on consumer spending patterns, particularly in the home goods segment, could adversely impact our operating results.

Consumers may view a substantial portion of the products we offer as discretionary items rather than necessities. As a result, our results of operations are sensitive to changes in macro-economic conditions that impact consumer spending, including discretionary spending. Some of the factors adversely affecting consumer spending include levels of unemployment; consumer debt levels; changes in net worth based on market changes and uncertainty; home foreclosures and changes in home values or the overall housing, residential construction or home improvement markets; fluctuating interest rates; credit availability, including mortgages, home equity loans and consumer credit; government actions; fluctuating fuel and other energy costs; fluctuating commodity prices and general uncertainty regarding the overall future economic environment. Adverse economic changes in any of the regions in which we sell our products could reduce consumer confidence and could negatively affect net revenue and have a material adverse effect on our operating results.

Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or an inability to timely deliver such communications could materially adversely affect our net revenue and business.

Our business is highly dependent upon email and other messaging services for promoting our sites and products. If we are unable to successfully deliver emails or other messages to our subscribers, or if subscribers decline to open our emails or other messages, our net revenue and profitability would be materially adversely affected. Changes in how webmail applications organize and prioritize email may also reduce the number of subscribers opening our emails. For example, in 2013 Google Inc.'s Gmail service began offering a feature that organizes incoming emails into categories (for example, primary, social and promotions). Such categorization or similar inbox organizational features may result in our emails being delivered in a less prominent location in a subscriber's inbox or viewed as "spam" by our subscribers and may reduce the likelihood of that subscriber opening our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also adversely impact our business. From time to time, Internet

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service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to third parties. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also materially adversely impact our business. Our use of email and other messaging services to send communications about our products or other matters may also result in legal claims against us, which may cause us increased expenses, and if successful might result in fines and orders with costly reporting and compliance obligations or might limit or prohibit our ability to send emails or other messages. We also rely on social networking messaging services to send communications and to encourage customers to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by customers and potential customers could materially adversely affect our business, financial condition and operating results.

We are subject to risks related to online payment methods.

We accept payments using a variety of methods, including credit card, debit card, PayPal, credit accounts and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. As our business changes, we may also be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card and debit card payments from consumers or to facilitate other types of online payments. If any of these events were to occur, our business, financial condition and operating results could be materially adversely affected.

We occasionally receive orders placed with fraudulent credit card data. We may suffer losses as a result of orders placed with fraudulent credit card data even if the associated financial institution approved payment of the orders. Under current credit card practices, we may be liable for fraudulent credit card transactions. If we are unable to detect or control credit card fraud, our liability for these transactions could harm our business, financial condition and results of operations.

Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e- commerce or mobile commerce. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection, Internet neutrality and gift cards. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our sites by consumers and suppliers and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. Adverse legal or regulatory developments could substantially harm our business. Further, if we enter into new market segments or geographical areas and expand the products and services we offer, we may be subject to additional laws and regulatory requirements or prohibited from conducting our business, or certain aspects of it, in certain jurisdictions. We will incur additional costs complying with these additional obligations and any failure or perceived failure to comply would adversely affect our business and reputation.

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Failure to comply with applicable laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection and consumer protection, could adversely affect our business and our financial condition.

A variety of laws and regulations govern the collection, use, retention, sharing, export and security of personal information. Laws and regulations relating to privacy, data protection and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not comply, or may not comply in the future with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any applicable privacy or consumer protection- related laws, regulations, industry self-regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in claims, proceedings or actions against us by governmental entities or others or other liabilities or require us to change our operations and/or cease using certain data sets. Any such claim, proceeding or action could hurt our reputation, brand and business, force us to incur significant expenses in defense of such proceedings, distract our management, increase our costs of doing business, result in a loss of customers and suppliers and may result in the imposition of monetary penalties. We may also be contractually required to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any laws, regulations or other legal obligations relating to privacy or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business.

Federal, state and international governmental authorities continue to evaluate the privacy implications inherent in the use of proprietary or third-party "cookies" and other methods of online tracking for behavioral advertising and other purposes. U.S. and foreign governments have enacted, have considered or are considering legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, which could if widely adopted significantly reduce the effectiveness of such practices and technologies. The regulation of the use of cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost-effective terms and consequently, materially adversely affect our business, financial condition and operating results.

In addition, various federal, state and foreign legislative and regulatory bodies, or self-regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection and consumer protection. Any such changes may force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategy effectively and may adversely affect our ability to acquire customers or otherwise harm our business, financial condition and operating results.

Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.

Due to the global nature of the Internet, it is possible that various states or foreign countries might attempt to impose additional or new regulation on our business or levy additional or new sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in e-commerce. New or revised international, federal, state or local tax regulations or court decisions may subject us or our customers to additional sales, income and other taxes. For example, on June 21, 2018, the U.S. Supreme Court rendered a 5-4 majority decision in *South Dakota v. Wayfair, Inc., 138 S. Ct. 2080 (2018)* where the Court held, among other things, that a state may require an out-of-state seller with no physical presence in the state to collect and remit sales taxes on goods the seller ships to consumers in the state, overturning existing court precedent. Other new or revised taxes and, in particular, sales taxes, value added tax and similar taxes could increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes and rulings could also create significant increases in internal costs necessary to capture data and collect and remit taxes. In addition, we may charge sales taxes in jurisdictions where our competitors do not, resulting in our product prices potentially being higher than those of our competitors. As a result, we may lose sales to our competitors in these jurisdictions. Any of these events could have a material adverse effect on our business, financial condition and operating results.

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We rely on the performance of members of management and highly skilled personnel, and if we are unable to attract, develop, motivate and retain well-qualified employees, our business could be harmed.

We believe our success has depended, and continues to depend, on the members of our senior management teams. The loss of any of our senior management or other key employees could materially harm our business. Our future success also depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees, particularly mid-level managers and merchandising and technology personnel. The market for such positions is competitive. Qualified individuals are in high demand, and we may incur significant costs to attract them. Our inability to recruit and develop mid-level managers could materially adversely affect our ability to execute our business plan, and we may not be able to find adequate replacements. All of our officers and other U.S. employees are at-will employees, meaning that they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business, financial condition and operating results may be materially adversely affected.

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

We regard our customer lists, domain names, trade dress, trade secrets, proprietary technology and similar intellectual property as critical to our success, and we rely on trade secret protection, agreements and other methods with our employees and others to protect our proprietary rights. We might not be able to obtain broad protection for all of our intellectual property. The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. We may initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or proprietary rights or to establish the validity of such rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may materially adversely affect our business, financial condition and operating results. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may not be able to broadly enforce all of our intellectual property rights. Any of our intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Additionally, the process of obtaining intellectual property protections is expensive and time-consuming, and we may not be able to pursue all necessary or desirable actions at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these protections will adequately safeguard our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. We may also be exposed to claims from third parties claiming infringement of their intellectual property rights, or demanding the release or license of open source software or derivative works that we developed using such software (which could include our proprietary code) or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected portions of our source code, be limited in or cease using the implicated software unless and until we can re-engineer such software to avoid infringement or change the use of the implicated open source software.

We may be accused of infringing intellectual property rights of third parties.

The e-commerce industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in protracted and expensive litigation for many companies. We may be subject to claims and litigation by third parties that we infringe their intellectual property rights. The costs of supporting such litigation and disputes are considerable, and there can be no assurances that favorable outcomes will be obtained. As our business expands and the number of competitors in our market increases and overlaps occur, we expect that infringement claims may increase in number and significance. Any claims or proceedings against us, whether meritorious or not, could be time-consuming, result in considerable litigation costs, require significant amounts of management time or result in the diversion of significant operational resources, any of which could materially adversely affect our business, financial condition and operating results.

We have received in the past, and we may receive in the future, communications alleging that certain items posted on or sold through our sites violate third-party copyrights, designs, marks and trade names or other intellectual property rights or other proprietary rights. Brand and content owners and other proprietary rights owners have actively asserted their purported rights against online companies. In addition to litigation from rights owners, we may be subject to regulatory, civil or criminal proceedings and penalties if governmental authorities believe we have aided and abetted in the sale of counterfeit or infringing products.

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Such claims, whether or not meritorious, may result in the expenditure of significant financial, managerial and operational resources, injunctions against us or the payment of damages by us. We may need to obtain licenses from third parties who allege that we have violated their rights, but such licenses may not be available on terms acceptable to us, or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

We are engaged in legal proceedings that could cause us to incur unforeseen expenses and could occupy a significant amount of our management's time and attention.

From time to time, we are subject to litigation or claims that could negatively affect our business operations and financial position. Litigation disputes could cause us to incur unforeseen expenses, result in site unavailability, service disruptions, and otherwise occupy a significant amount of our management's time and attention, any of which could negatively affect our business operations and financial position. We also from time to time receive inquiries and subpoenas and other types of information requests from government authorities and we may become subject to related claims and other actions related to our business activities. While the ultimate outcome of investigations, inquiries, information requests and related legal proceedings is difficult to predict, such matters can be expensive, time-consuming and distracting, and adverse resolutions or settlements of those matters may result in, among other things, modification of our business practices, reputational harm or costs and significant payments, any of which could negatively affect our business operations and financial position.

Risks Related to Custom Cabinetry Business

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

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

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

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

For the past few years, the conditions within the home improvement industry have been extremely challenging. Low levels of consumer confidence, high levels of unemployment and downward pressure on home prices have made consumers reluctant to make additional investments in existing homes, such as kitchen and bath remodeling projects. In addition, the increasing number of households with negative equity in their homes and more conservative lending practices, including for home equity loans which are often used to finance repairs and remodeling, are limiting the ability of consumers to finance home improvements. The challenges facing the home improvement industry may lead to a further decrease in demand for our products.

A significant part of our business is also affected by levels of new home construction, as our products are often purchased in connection with the construction of a new home. Like the home improvement industry, over the past few years, the home building industry has undergone a significant downturn, marked by declines in the demand for new homes, an oversupply of new and existing homes on the market and a reduction in the availability of financing for homebuyers. The oversupply of existing homes has been exacerbated by a growing number of home mortgage foreclosures, which is further contributing to downward pressure on home prices. Fewer new home buyers may lead to a decrease in demand for our products.

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We believe that housing market conditions will continue to be challenging. We cannot predict the duration or ultimate severity of these challenging conditions. Continued depressed activity levels in consumer spending for home improvement and new home construction will continue to adversely affect our results of operations and our financial position. Furthermore, renewed economic turmoil may cause unanticipated shifts in consumer preferences and purchasing practices and in the business models and strategies of our customers. Such shifts may alter the nature and prices of products demanded by the end consumer and our customers and could adversely affect our operating performance.

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

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

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

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

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

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

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

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

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

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

We could face potential product liability claims relating to our products which could result in significant costs and liabilities, which would reduce our profitability.

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We face an inherent business risk of exposure to product liability claims in the event that the installation and use of any of our products results in personal injury or property damage. We are also exposed to potential liability and product performance warranty risks that are inherent in the design, manufacture and sale of our products. In the event that any of our products prove to be defective, we may be required to recall or redesign such products, which would result in significant unexpected costs. Any insurance we maintain may not be available on terms acceptable to us or such coverage may not be adequate for liabilities actually incurred. Further, any claim could result in adverse publicity against us, which could adversely affect our sales or increase our costs.

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

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

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

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

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

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

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

Our dependency upon regular deliveries from particular suppliers means that interruptions or stoppages in such deliveries could adversely affect our operations until arrangements with alternate suppliers could be made. If any of our suppliers were unable to deliver materials to us for an extended period of time, as the result of financial difficulties, catastrophic events affecting their facilities or other factors beyond

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our control, or if we were unable to negotiate acceptable terms for the supply of materials with these or alternative suppliers, our business could suffer. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business. Extended unavailability of a necessary raw material or finished good could cause us to cease manufacturing of one or more products for a period of time.

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

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

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

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

Part of our growth strategy depends on expanding our business in the multi-family and commercial properties channels. We may fail to compete successfully against other companies that are already established providers within those channels. Demand for our products within the multi-family and commercial properties channels may not grow, or might even decline. In addition, trends within the industry change often, we may not accurately gauge consumer preferences and successfully develop, manufacture and market our products. Our failure to anticipate, identify or react to changes in these trends could lead to, among other things, rejection of a new product line, reduced demand and price reductions for our products, and could adversely affect our sales. Further, the implementation of our growth strategy may place additional demands on our administrative, operational and financial resources and may divert management's attention away from our existing business and increase the demands on our financial systems and controls. If our management is unable to effectively manage growth, our business, financial condition or results of operations could be adversely affected. If our growth strategy is not successful then our revenue and earnings may not grow as anticipated or may decline, we may not be profitable, or our reputation and brand may be damaged. In addition, we may change our financial strategy or other components of our overall business strategy if we believe our current strategy is not effective, if our business or markets change, or for other reasons, which may cause fluctuations in our financial results.

Risks Related to Land Management Services Business

Adverse weather conditions, including as a result of future climate change, may adversely affect the availability, quality and price of agricultural commodities and agricultural commodity products, which may impact our business, as well as its operations and operating results.

Adverse weather conditions have historically caused volatility in the agricultural commodity industry by causing crop failures or significantly reduced harvests, which may affect the supply and pricing of agricultural commodities, and result in reduce demand for our products and services and negatively affect the creditworthiness of agricultural producers who do business with us.

Severe adverse weather conditions, such as hurricanes or severe storms, may also result in extensive property damage, extended business interruption, personal injuries and other loss and damage to agricultural producers who do business with us. Our operations also rely on dependable and efficient transportation services. A disruption in transportation services, as a result of weather conditions or otherwise, may also significantly adversely impact our operations.

Additionally, the potential physical impacts of climate change are uncertain and may vary by region. These potential effects could include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperature

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levels that could adversely impact our costs and business operations, the location and costs of global agricultural commodity production and the supply and demand for agricultural commodities. These effects could be material to our results of operations, liquidity or capital resources.

Government policies and regulations, particularly those affecting the agricultural sector and related industries, could adversely affect our operations and profitability.

Agricultural commodity production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies, import and export restrictions on agricultural commodities and commodity products and energy policies (including biofuels mandates), can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions.

Increases in prices for, among other things, food, fuel and crop inputs, such as fertilizers, have become the subject of significant discussion by governmental bodies and the public throughout the world in recent years. In some countries, this has led to the imposition of policies such as price controls, tariffs and export restrictions on agricultural commodities. Future governmental policies, regulations or actions affecting our industries may adversely affect the supply of, demand for and prices of its products and services, restrict our ability to do business and cause our financial results to suffer.

We depend upon manufacturers who may be unable to provide products of adequate quality or who may be unwilling to continue to supply products to us.

We do not manufacture any products that we sell, and instead purchases products from manufacturers. Since we purchase products from many manufacturers under at-will contracts and contracts which can be terminated without cause upon 90 days' notice or less, or which expire without express rights of renewal, manufacturers could discontinue sales to us immediately or upon short notice. In lieu of termination, a manufacturer may also change the terms upon which it sells, for example, by raising prices or broadening distribution to third parties. For these and other reasons, we may not be able to acquire desired merchandise in sufficient quantities or on acceptable terms in the future.

Any significant interruption in the supply of products by manufacturers could disrupt our ability to deliver merchandise to our customers in a timely manner, which could have a material adverse effect on our business, financial condition and results of operations.

Manufacturers are subject to certain risks that could adversely impact their ability to provide us with their products on a timely basis, including industrial accidents, environmental events, strikes and other labor disputes, union organizing activity, disruptions in logistics or information systems, loss or impairment of key manufacturing sites, product quality control, safety, and licensing requirements and other regulatory issues, as well as natural disasters and other external factors over which neither they nor we have control. In addition, our operating results depend to some extent on the orderly operation of our receiving and distribution processes, which depend on manufacturers' adherence to shipping schedules and our effective management of our distribution facilities and capacity.

If a material interruption of supply occurs, or a significant manufacturer ceases to supply us or materially decreases its supply to us, we may not be able to acquire products with similar quality as the products we currently sell or to acquire such products in sufficient quantities to meet our customers' demands or on favorable terms to our business, any of which could adversely impact our business, financial condition and results of operations.

Competition in our market and the agricultural equipment industry could adversely affect its business.

We sell products and services into a regional market. The principal competitive factors in our regional market includes product performance, innovation and quality, distribution, customer service and price. The competitive environment in our business and the agricultural equipment industry includes global competitors and many regional and local competitors. These competitors have varying numbers of product lines competing with our products and services and each has varying degrees of regional focus. An important part of the competition within the agricultural equipment industry during the past decade has come from a variety of short-line and specialty manufacturers, as well as indigenous regional competitors, with differing manufacturing and marketing methods. Due to industry conditions, including the merger of certain large integrated competitors, we believe the agricultural equipment business continues to

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undergo change and is becoming more competitive. Our inability to successfully compete with respect to product performance, innovation and quality, distribution, customer service and price could adversely affect its results of operations and financial condition.

Risks Related to Ownership of Our Common Shares

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

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

We cannot predict the extent to which an active public trading market for our common shares will develop or be sustained. If an active public trading market does not develop or cannot be sustained, you may be unable to liquidate your investment in our common shares.

At present, there is minimal public trading in our common shares. We cannot predict the extent to which an active public market for our common shares will develop or be sustained due to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors, and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our common shares until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our common shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that an active public trading market for our common shares will develop or be sustained. If such a market cannot be sustained, you may be unable to liquidate your investment in our common shares.

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

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

- price and volume fluctuations in the stock markets generally which create highly variable and unpredictable pricing of equity securities;
- significant volatility in the market price and trading volume of securities of companies in the sectors in which our businesses operate, which may not be related to the operating performance of these companies and which may not reflect the performance of our businesses;

- differences between our actual financial and operating results and those expected by investors;
- fluctuations in quarterly operating results;
- loss of a major funding source;
- operating performance of companies comparable to us;
- changes in regulations or tax law;
- share transactions by our principal shareholders;
- recruitment or departure of key personnel; and

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- general economic trends and other external factors including inflation, interest rates, and costs and availability of raw materials, fuel and transportation.

Future sales of common shares may affect the market price of our common shares.

We cannot predict what effect, if any, future sales of our common shares, or the availability of common shares for future sale, will have on the market price of our common shares. Sales of substantial amounts of our common shares in the public market, or the perception that such sales could occur, could materially adversely affect the market price of our common shares and may make it more difficult for you to sell your common shares at a time and price which you deem appropriate.

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

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

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

Holders of our series A senior convertible preferred shares are entitled to quarterly dividends, payable in cash or in common shares, at a rate per annum of 14.0% of the stated value of $2.00 per share (subject to adjustment). In addition, upon any liquidation of our company or its subsidiaries, each holder of outstanding series A senior convertible preferred shares will be entitled to receive an amount of cash equal to 115% of the stated value of $2.00 per share, plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared), before any payment shall be made to or set apart for the holders of our common shares. This could limit our ability to make regular distributions to our common shareholders or distributions upon liquidation.

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

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

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

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

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

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

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

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

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

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

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

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

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the operating agreement with a jury trial. No condition, stipulation or provision of the operating agreement serves as a waiver by any holder

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or beneficial owner of our common shares or by us of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our principal office is located at 590 Madison Avenue, 21st Floor, New York, NY 10022. We entered into an office service agreement with Regus Management Group, LLC for use of office space at this location effective January 22, 2013. Under the agreement, in exchange for our right to use the office space at this location, we are required to pay a monthly fee of $479 (excluding taxes).

Neese is headquartered at 303 Division St. E., Grand Junction, Iowa 50107. Neese operates from one facility totaling 9,150-square feet on an eight-acre property. The layout consists of a 5,400-square foot wash bay and 3,750-square feet of shop and office space. Neese leases this facility pursuant to an agreement of lease entered into with K&A Holdings, LLC, which is owned by Neese's founders, on March 3, 2017. The lease is for a term of ten (10) years and provides for a base rent of $8,333 per month. In the event of late payment, interest shall accrue on the unpaid amount at the rate of eighteen percent (18%) per annum. The agreement of lease contains customary events of default, including if Neese shall fail to pay rent within five (5) days after the due date, or if Neese shall fail to perform any other terms, covenants or conditions under the agreement of lease, and other customary representations, warranties and covenants.

Asien's is located at 1801 Piner Rd., Santa Rosa, CA 95401. The site is approximately 11,000 square feet in total and consists of a 6,000 square foot showroom display area as well as a general office, accounting office, service department and 4,000 square foot warehouse. Asien's leases this site on a month-to-month basis for approximately $9,700 per month. Asien's also rents an additional 3,000 square feet of warehouse and office space in an adjacent building for $2,000 per month.

Kyle's is located at 10849 W. Emerald St. Boise, ID 83713. Kyle's operates from one standalone 6,600 square foot facility, which includes corporate offices, administration, production floor, warehouse, and employee areas. On September 1, 2020, Kyle's entered into an industrial lease agreement with Stephen Mallatt, Jr. and Rita Mallatt, the sellers of Kyle's. The lease is for a term of five years, with an option for a renewal term of five years, and provides for a base rent of $7,000 per month for the first 12 months, which will increase to $7,210 for months 13-16 and to $7,426 for months 37-60. In addition, Kyle's is responsible for all taxes, insurance and certain operating costs during the lease term. In the event of late payment, interest shall accrue on the unpaid amount at the rate of twelve percent (12%) per annum. The lease agreement contains customary events of default, representations, warranties and covenants.

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

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Market Information

Our common shares are eligible for quotation on the OTCQB Market under the symbol "EFSH." The following table sets forth, for the periods indicated, the high and low closing prices of our common shares. These prices reflect inter-dealer prices, without retain mark-up or commission, and may not represent actual transactions.

	Closing Prices	
	High	**Low**
Fiscal Year Ended December 31, 2019		
1st Quarter	$ 2.75	$ 2.75
2nd Quarter	2.75	2.00
3rd Quarter	2.00	2.00
4th Quarter	2.00	1.50
Fiscal Year Ended December 31, 2020		
1st Quarter	2.75	1.01
2nd Quarter	3.40	0.80
3rd Quarter	6.90	1.81
4th Quarter	5.30	1.32

Number of Holders of Our Common Stock

As of April 14, 2021, there were approximately [*] shareholders of record of our common shares. In computing the number of holders of record of our common shares, each broker-dealer and clearing corporation holding shares on behalf of its customers is counted as a single shareholder.

Dividend Policy

Holders of our series A senior convertible preferred shares are entitled to dividends at a rate per annum of 14.0% of the stated value of $2.00 per share (subject to adjustment). Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at our discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date; provided that if our common shares are not registered any dividends payable in common shares shall be calculated based upon the fixed price of $1.57; and provided further that we may only elect to pay dividends in common shares based upon such fixed price if the volume weighted average price for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.

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

The declaration and payment of any monthly distribution to our common shareholders will be subject to the approval of our board of directors. Our board of directors will take into account such matters as general business conditions, our financial condition, results of operations, capital requirements and any contractual, legal and regulatory restrictions on the payment of distributions by us to our shareholders or by our subsidiaries to us, and any other factors that the board of directors deems relevant. However, even if our board of

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directors were to decide to declare and pay distributions, our ability to pay such distributions may be adversely impacted due to unknown liabilities, government regulations, financial covenants of the debt of our company, funds needed for acquisitions and to satisfy short- and long-term working capital needs of our businesses, or if our operating subsidiaries do not generate sufficient earnings and cash flow to support the payment of such distributions. In particular, we may incur debt in the future to acquire new businesses, which debt will have substantial debt commitments, which must be satisfied before we can make distributions. These factors could affect our ability to continue to make monthly distributions to our common shareholders.

We may use cash flow from our operating subsidiaries, capital resources of our company, including borrowings under any third-party credit facilities that we establish, or reduction in equity to pay a distribution. See "Material U.S. Federal Income Tax Considerations" for more information about the tax treatment of distributions to our shareholders.

On October 23, 2020, we completed a distribution of all shares of the common stock of Goedeker that we held to our shareholders. Our common shareholders received 2,660,007 shares, which were distributed on a pro rata basis, and our manager, as the holder of all of our allocation shares, received 664,993 shares, which it then distributed to its members.

Securities Authorized for Issuance under Equity Compensation Plans

We do not have in effect any compensation plans under which our equity securities are authorized for issuance.

Recent Sales of Unregistered Securities

We have not sold any equity securities during the 2020 fiscal year that were not previously disclosed in a quarterly report on Form 10-Q or a current report on Form 8-K that was filed during the 2020 fiscal year.

Purchases of Equity Securities

No repurchases of our common shares were made during the fourth quarter of 2020.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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

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

Overview

We are an acquisition holding company focused on acquiring and managing a group of small businesses, which we characterize as those that have an enterprise value of less than $50 million, in a variety of different industries headquartered in North America. To date, we have completed five acquisitions and distributed the stock of one of the acquired companies to our shareholders.

In March 2017, our subsidiary 1847 Neese acquired Neese. Headquartered in Grand Junction, Iowa and founded in 1991, Neese is an established business specializing in providing a wide range of land application services and selling equipment and parts, primarily to the agricultural industry, but also to the construction and lawn and garden industries.

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In April 2019, our subsidiary Goedeker acquired substantially all of the assets of Goedeker Television, a one-stop e-commerce destination for home furnishings, including appliances, furniture, home goods and related products. On October 23, 2020, we distributed all of the shares of Goedeker that we held to our shareholders. As a result of this distribution, Goedeker is no longer a subsidiary of our company.

In May 2020, our subsidiary 1847 Asien acquired Asien's. Asien's has been in business since 1948 serving the North Bay area of Sonoma County, California. It provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing. Its main focus is delivering personal sales and exceptional service to its customers at competitive prices.

In September 2020, our subsidiary 1847 Cabinet acquired Kyle's. Kyle's is a leading custom cabinetry maker servicing contractors and homeowners since 1976 in Boise, Idaho and the surrounding area. Kyle's focuses on designing, building, and installing custom cabinetry primarily for custom and semi-custom builders.

In March 2021, our subsidiary 1847 Wolo, acquired Wolo. Headquartered in Deer Park, New York and founded in 1965, Wolo designs and manufactures horn and safety products (electric, air, truck, marine, motorcycle and industrial equipment), and offers vehicle emergency and safety warning lights for cars, trucks, industrial equipment and emergency vehicles.

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

Recent Developments

Impact of Coronavirus Pandemic

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China. The virus has since spread to over 150 countries and every state in the United States. On March 11, 2020, the World Health Organization declared the outbreak a pandemic, and on March 13, 2020, the United States declared a national emergency. Most states and cities have reacted by instituting quarantines, restrictions on travel, "stay at home" rules and restrictions on the types of businesses that may continue to operate, as well as guidance in response to the pandemic and the need to contain it.

Effective March 18, 2020, the County of Sonoma, California issued a shelter in place order. Pursuant to this order, non-essential businesses were ordered to close. Asien's was qualified as an essential business and remained open under a modified service plan whereby customers were allowed access to the demonstration floor by appointment only with access limited to one customer party (following published guidelines a customer party was defined as no more than three adults and no children). Effective June 6, 2020, Sonoma County modified the retail guidelines for essential businesses and Asien's store allowed access for retail customer parties without appointment but with limitations on the number of individuals allowed in the store. Asien's has remained open since this date under these modified occupancy restrictions, so it did not experience any meaningful business interruption. However, Asien's is dependent upon suppliers to provide it with all of the products that its sells. The pandemic has impacted and may continue to impact suppliers and manufacturers of certain of its products. As a result, Asien's has faced and may continue to face delays or difficulty sourcing certain products, which could negatively affect its business and financial results. Even if Asien's is able to find alternate sources for such products, they may cost more, which could adversely impact Asien's profitability and financial condition.

Idaho, where Kyle's is located, issued a "stay at home" order beginning on March 27, 2020. The order was initially in place until April 15, then undergone several extensions, and was lifted on April 30, 2020. Currently, the state is under Stage 3 of Stay Healthy Guidelines, which allow businesses and governmental agencies to continue operations at physical locations in the state of Idaho; however, all individuals, businesses, and governmental agencies should adhere to the physical distancing and sanitation requirements prescribed. Kyle's was in an industry designated as Essential Critical Infrastructure Workforce and remained operational during the "stay at home" order; as such, Kyle's remained, and continues to do so, observant to social-distancing and mask-wearing guidance and all other State, County and City mandates. Therefore, there was minimal disruption to Kyle's business operations during the Idaho's "stay at home" period. However, during the "stay at home" period, certain key customers of Kyle's elected to either temporarily stop building homes or delayed their building process, which adversely affected Kyle's sales. As a result, Kyle's generated comparatively lower-than-expected sales. Further, during the "stay at home" period, several of Kyle's employees had taken time off because of medical experiences, and

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certain of them did not return to employment. Kyle's has been hiring and training new employees to replace lost productivity because of the aforementioned loss of employees. Kyle's did not experience any meaningful business interruption related to any of its key suppliers; although recently, potentially as a result of the pandemic and resulting impact, Kyle's has seen price increases in certain key raw materials such as wood products and hardware. These increases may negatively affect Kyle's profitability and financial condition. Kyle's endeavors to best observe guidance from the State of Idaho and to provide a safe working environment to its employees. If the pandemic is not sufficiently contained, it may continue to negatively affect Kyle's ability to generate sales opportunities and to hire productive employees, as well as impact the cost of raw materials. Therefore, Kyle's business operations may experience further delays and experience lost sales opportunities and increased costs, which could further adversely impact Kyle's profitability and financial condition.

In Iowa, where Neese is located, non-essential businesses in certain counties, include where Neese's principal office is located, began re-opening on May 1, 2020, but the pandemic has had a negative effect on business activity throughout Iowa. Neese is also dependent upon suppliers to provide it with all of the equipment and parts that it sells, and several have notified it of disruptions to their production and/or supply chain related to the pandemic. Any business disruption or failure of these suppliers to meet delivery requirements and commitments may cause delays in future shipments and potential lost or delayed revenue.

We have taken steps to take care of our employees, including providing the ability for employees to work remotely and implementing strategies to support appropriate social distancing techniques for those employees who are not able to work remotely. We have also taken precautions with regard to employee, facility and office hygiene as well as implementing significant travel restrictions. We are also assessing our business continuity plans for all business units in the context of the pandemic. This is a rapidly evolving situation, and we will continue to monitor and mitigate developments affecting our workforce, our suppliers, our customers, and the public at large to the extent we are able to do so. We have and will continue to carefully review all rules, regulations, and orders and responding accordingly.

If the current pace of the pandemic cannot be slowed and the spread of the virus is not contained, our business operations could be further delayed or interrupted. We expect that government and health authorities may announce new or extend existing restrictions, which could require us to make further adjustments to our operations in order to comply with any such restrictions. We may also experience limitations in employee resources. In addition, our operations could be disrupted if any of our employees were suspected of having the virus, which could require quarantine of some or all such employees or closure of our facilities for disinfection. The duration of any business disruption cannot be reasonably estimated at this time but may materially affect our ability to operate our business and result in additional costs.

The extent to which the pandemic may impact our results will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report, including new information that may emerge concerning the severity of the pandemic and steps taken to contain the pandemic or treat its impact, among others. Nevertheless, the pandemic and the current financial, economic and capital markets environment, and future developments in the global supply chain and other areas present material uncertainty and risk with respect to our performance, financial condition, results of operations and cash flows.

Garden Signing

On February 9, 2021, 1847 Hydroponic entered into a securities purchase agreement with the Garden Companies and the sellers named therein, pursuant to which 1847 Hydroponic agreed to acquire all of the issued and outstanding capital stock or other equity securities of the Garden Companies for an aggregate purchase price of $100,000,000, subject to adjustment, consisting of (i) $90,000,000 in cash and (ii) a three-year 8% secured subordinated convertible promissory note in the aggregate principal amount of $10,000,000. The closing of the securities purchase agreement is subject to standard closing conditions and has not yet been completed.

Wolo Closing

On March 30, 2021, our newly formed wholly-owned subsidiary 1847 Wolo acquired all of the issued and outstanding capital stock of Wolo for an aggregate purchase price of $7,400,000 (subject to adjustment) consisting of (i) $6,550,000 in cash and (ii) the issuance of a 6% secured promissory note in the principal amount of $850,000.

The purchase price is subject to a post-closing working capital adjustment provision. Under this provision, the sellers of Wolo (who we refer to as the Wolo Sellers) delivered to 1847 Wolo at the closing an unaudited balance sheet of Wolo as of that date. On or before the 75th day following the closing, 1847 Wolo shall deliver to the Wolo Sellers an audited balance sheet as of the closing date. If the net working capital reflected on such final balance sheet exceeds the net working capital reflected on the preliminary balance sheet delivered at closing, 1847 Wolo shall, within seven days, pay to the Wolo Sellers an amount of cash that is equal to such excess. If the net working

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capital reflected on the preliminary balance sheet exceeds the net working capital reflected on the final balance, the Wolo Sellers shall, within seven days, pay to 1847 Wolo an amount in cash equal to such excess.

6% Secured Promissory Note

As noted above, a portion of the purchase price for Wolo was paid by the issuance of a 6% secured promissory note in the principal amount of $850,000 by 1847 Wolo to the Wolo Sellers. Interest on the outstanding principal amount will be payable quarterly at the rate of six percent (6%) per annum. The note matures on the 39-month anniversary following the closing of the acquisition, at which time the outstanding principal amount of the note, along with all accrued, but unpaid interest, shall be paid in one lump sum. 1847 Wolo has the right to prepay all or any portion of the note at any time prior to the maturity date without premium or penalty of any kind. The note contains customary events of default and is secured by all of the assets of Wolo; provided that the rights of the Wolo Sellers under the note are subordinate to the rights of Sterling National Bank under the credit agreement described below.

Credit Agreement and Notes

On March 30, 2021, 1847 Wolo and Wolo entered into a credit agreement with Sterling National Bank, or Sterling, for (i) revolving loans in an aggregate principal amount that will not exceed the lesser of the borrowing base (as defined below) or $1,000,000 and (ii) a term loan in the principal amount of $3,550,000. The revolving loan is evidenced by a revolving credit note and the term loan is evidenced by a $3,550,000 term note. The "borrowing base" means an amount equal to the sum of the following: (A) 80% of eligible accounts (as defined in the credit agreement) PLUS (B) the lesser of: (1) 50% percent of eligible inventory (as defined in the credit agreement) or (2) $400,000.00, MINUS (C) such reserves as Sterling may establish from time to time in its sole discretion. Sterling has the right from time to time, in its sole discretion, to amend, substitute or modify the percentages set forth in the definition of borrowing base and the definition(s) of eligible accounts and eligible inventory.

The revolving note matures on March 29, 2022 and bears interest at a per annum rate equal to the greater of (i) the prime rate (as defined in the credit agreement) or (ii) 3.75%. The term note matures on April 1, 2024 and bears interest at a per annum rate equal to the greater of (x) the prime rate plus 3.00% or (y) 5.00%; provided that, upon an event of default, all loans, all past due interest and all fees shall bear interest at a per annum rate equal to the foregoing rate plus 5.00%. Interest accrued on the revolving note and the term note shall be payable on the first day of each month commencing on the first such day of the first month following the making of such revolving loan or term loan, as applicable.

With respect to the term loan, 1847 Wolo and Wolo must repay to Sterling on the first day of each month, (i) beginning on May 1, 2021 and ending on March 1, 2022, eleven (11) equal monthly principal payments of $43,750 each, (ii) beginning on April 1, 2022 and ending on March 1, 2024, twenty-four (24) equal monthly payments of $59,167 each and (iii) on April 1, 2024, a final principal payment in the amount of $1,648,742. In addition, beginning on June 1, 2022 and on each anniversary thereof thereafter until such time as the term loan is repaid in full, 1847 Wolo and Wolo must pay an additional principal payment equal to 50% of the excess cash flow (as defined in the credit agreement), if any. If Sterling has not received the full amount of any monthly payment on or before the date it is due (including as a result of funds not available to be automatically debited on the date on which any such payment is due), 1847 Wolo and Wolo must pay a late fee in an amount equal to six percent (6%) of such overdue payment. 1847 Wolo and Wolo may at any time and from time to time voluntarily prepay the revolving note or the term note in whole or in part.

The credit agreement contains customary representations, warranties, affirmative and negative financial and other covenants and events of default for loans of this type. Each of the revolving note and the term note is secured by a first priority security interest in all of the assets of 1847 Wolo and Wolo.

Unit Offering

On March 26, 2021, we sold an aggregate of 1,818,182 units, at a price of $1.65 per unit, for aggregate gross proceeds of $3,000,000. Each unit consists of one (1) series A senior convertible preferred share and a three-year warrant to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances. As described in further detail below, we contributed to 1847 Wolo the $3,000,000 raised in this offering in exchange for 1,000 shares of 1847 Wolo's series A preferred stock, at a price of $3,000 per share, to fund, in part, the planned acquisition of Wolo by 1847 Wolo.

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In exchange for the consent of the holders of our outstanding series A senior convertible preferred shares to the issuance of these units at a lower purchase price than such holders paid for their shares, we issued an aggregate of 398,838 common shares to such holders. See also *"—Liquidity and Capital Resources—Unit Offering"* below.

Subscription Agreement

On March 29, 2021, we entered into a subscription agreement with 1847 Wolo, pursuant to which 1847 Wolo issued to us 1,000 shares of its series A preferred stock, for gross proceeds to 1847 Wolo of $3,000,000. The series A preferred stock has no voting rights and is not convertible into the common stock or any other securities of 1847 Wolo. Dividends at the rate per annum of 16.0% of the stated value of $3,000 per share shall accrue on the series A preferred stock (subject to adjustment) and shall accrue from day to day, whether or not declared, and shall be cumulative. Accruing dividends are payable quarterly in arrears on each of the following dividend payment dates: January 15, April 15, July 15 and October 15 beginning on April 15, 2021. Upon any liquidation, dissolution or winding up of 1847 Wolo, before any payment shall be made to the holders of 1847 Wolo's common stock, the series A preferred stock then outstanding shall be entitled to be paid out of the funds and assets available for distribution to 1847 Wolo's stockholders an amount per share equal to the stated value of $3,000 per share, plus any accrued, but unpaid dividends.

Management Fees

Our company has agreed to pay our manager a quarterly management fee equal to 0.5% (2.0% annualized) of its adjusted net assets (which we refer to as the parent management fee). The amount of the parent management fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by our manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) parent management fees received by (or owed to) our manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid parent management fees. We expensed $0 in parent management fees for the years ended December 31, 2020 and 2019.

1847 Neese entered into an offsetting management services agreement with our manager on March 3, 2017, 1847 Asien entered into an offsetting management services agreement with our manager on May 28, 2020, 1847 Cabinet entered into an offsetting management services agreement with our manager on August 21, 2020 and 1847 Wolo entered into an offsetting management services agreement with our manager on March 30, 2021. Pursuant to the offsetting management services agreements, 1847 Neese appointed our manager to provide certain services to it for a quarterly management fee equal to $62,500, 1847 Asien appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement), 1847 Cabinet appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement) and 1847 Wolo appointed our manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement); provided, however, in each case that (i) pro rated payments shall be made in the first quarter and the last quarter of the term, (ii) if the aggregate amount of management fees paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries of our company to our manager, in each case, with respect to any fiscal year exceeds, or is expected to exceed, 9.5% of our gross income with respect to such fiscal year, then the management fee to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo for any remaining fiscal quarters in such fiscal year shall be reduced, on a pro rata basis determined by reference to the management fees to be paid to our manager by all of our subsidiaries, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries to our manager, in each case, with respect to such fiscal year, does not exceed 9.5% of our gross income with respect to such fiscal year, and (iii) if the aggregate amount the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries to our manager, in each case, with respect to any fiscal quarter exceeds, or is expected to exceed, the parent management fee with respect to such fiscal quarter, then the management fee to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo for such fiscal quarter shall be reduced, on a pro rata basis, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien, 1847 Cabinet or 1847 Wolo, together with all other management fees paid or to be paid by all other subsidiaries of to our manager, in each case, with respect to such fiscal quarter, does not exceed the parent management fee calculated and payable with respect to such fiscal quarter.

Each of 1847 Neese, 1847 Asien, 1847 Cabinet and 1847 Wolo shall also reimburse our manager for all of its costs and expenses which are specifically approved by its board of directors, including all out-of-pocket costs and expenses, which are actually incurred by our

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manager or its affiliates on behalf of 1847 Neese, 1847 Asien, 1847 Cabinet and 1847 Wolo in connection with performing services under the offsetting management services agreements.

The rights of our manager to receive payments under the 1847 Wolo offsetting management services agreement are subordinate to the rights of Sterling under the credit agreement described above.

1847 Neese expensed and accrued $250,000 in management fees for the years ended December 31, 2020 and 2019. Under terms of the term loan from Home State Bank described below, no fees may be paid to our manager without permission of the bank, which our manager does not expect to be granted within the forthcoming year. Accordingly, $700,808 due from 1847 Neese to our manager is classified as a long-term accrued liability as of December 31, 2020.

1847 Asien expensed $178,022 in management fees for the period from May 29, 2020 to December 31, 2020.

1847 Cabinet expensed $75,000 in management fees for the period from October 1, 2020 to December 31, 2020.

On a consolidated basis, we expensed total management fees of $503,022 and $250,000 for the years ended December 31, 2020 and 2019, respectively, and $700,808 due to our manager is classified as a long-term accrued liability as of December 31, 2020.

Segments

The Financial Accounting Standards Board, or FASB, Accounting Standard Codification, or ASC, Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. Beginning with the second quarter of 2019, we changed our operating and reportable segments from one segment to two segments - the retail and appliances segment, which is operated by Asien's (and was previously operated by Goedeker), and the land management segment, which is operated by Neese. Commencing with the fourth quarter of 2020, we added an additional segment - the construction segment, which is operated by Kyle's.

We provide general corporate services to our segments; however, these services are not considered when making operating decisions and assessing segment performance. These include costs associated with executive management, financing activities and public company compliance.

Discontinued Operations

On October 23, 2020, we distributed all of the shares of Goedeker that we held to our shareholders. As a result of this distribution, Goedeker is no longer a subsidiary of our company. All financial information of Goedeker previously presented as part of retail and appliance services operations are classified as discontinued operations and not presented as part of continuing operations.

Results of Operations

The following table sets forth key components of our results of operations during the years ended December 31, 2020 and 2019, both in dollars and as a percentage of our revenue.

	December 31, 2020		December 31, 2019	
	Amount	% of Revenues	Amount	% of Revenues
Revenues				
Services	$ 3,379,655	21.9%	$ 4,201,414	65.9%
Sales of parts and equipment	3,322,944	21.5%	2,178,611	34.1%
Construction	1,120,224	7.3%	-	-
Furniture and appliances	7,625,222	49.4%	-	-
Total revenues	15,448,045	100.0%	6,380,025	100.0%
Operating expenses				
Cost of sales	9,406,228	60.9%	1,830,067	28.7%

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Personnel costs	2,553,589	16.5%	2,228,194	34.9%
Depreciation and amortization	1,447,077	9.4%	1,352,874	21.2%
Fuel	378,115	2.4%	718,495	11.3%
General and administrative	4,185,442	27.1%	1,569,149	24.6%
Total operating expenses	17,970,451	116.6%	7,698,779	120.7%
Net loss from operations	(2,522,406)	(16.6)%	(1,318,754)	(20.7)%
Other income (expense)				
Financing costs	(205,075)	(1.1)%	(32,400)	(0.5)%
Loss on extinguishment of debt	(382,681)	(2.5)%	-	-
Interest expense	(460,559)	(3.0)%	(523,780)	(8.2)%
Other income/(expense)	(24,271)	(0.2)%	-	-
Gain (loss) on sale of property and equipment	130,749	0.8%	57,603	0.9%
Total other income (expense)	(941,837)	(5.8)%	(498,577)	(7.8)%
Net loss before income taxes	(3,464,243)	(22.4)%	(1,817,331)	(28.5)%
Income tax benefit	431,631	2.8%	504,060	7.9%
Net loss before non-controlling interests	(3,032,612)	(19.6)%	(1,313,271)	(20.6)%
Less net loss attributable to non-controlling interests	(595,731)	(3.9)%	(514,019)	(8.1)%
Net loss from continuing operations	(2,436,881)	(15.8)%	(799,252)	(12.5)%
Net loss from discontinued operations	(7,171,771)	(46.4)%	(1,447,707)	(22.7)%
Net loss attributable to company shareholders	$ (9,608,652)	(62.2)%	$ (2,246,959)	(35.2)%

Total revenues. Our total revenues were $15,448,045 for the year ended December 31, 2020, including $7,625,222 from Asien's for the period from May 29, 2020 to December 31, 2020 and $1,120,224 from Kyle's for the period from October 1, 2020 to December 31, 2020, as compared to $6,380,025 for the year ended December 31, 2019.

The retail and appliances segment generates revenue through the sales of home furnishings, including appliances and related products. Revenues from the retail and appliances segment was $7,625,222 for the period from May 29, 2020 to December 31, 2020. The following table summarizes our revenues by sales type for the period from May 29, 2020 to December 31, 2020:

	May 29, 2020 to December 31, 2020
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenues	$ 7,625,222

The construction segment generates revenue through the construction and sale of custom cabinetry, including kitchen and bath cabinets, fireplace mantels and surrounds, entertainment systems and wall units, bookcases and office cabinets. Revenues from the construction segment was $1,120,224 for the period from October 1, 2020 to December 31, 2020.

The land management services segment generates revenue through the provision of waste disposal and a variety of land application services, wholesaling of agricultural equipment and parts, local trucking services, various shop services, and sales of other products and services. Revenues from the land management segment increased by $322,574, or 5.1%, to $6,702,598 for the year ended December 31, 2020 from $6,380,025 for the year ended December 31, 2019. Such increase resulted from a $1,144,333 increase in sales of parts and equipment, offset by a $821,759 decrease in services revenue. There was a $656,262 decline in trucking revenue, primarily attributable to COVID-19 related reduced demand for trucking services compared to 2019, including a decrease in waste hauling services revenue of $313,304.

The following table summarizes our revenues by type for the years ended December 31, 2020 and 2019:

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	Years Ended December 31,	
	2020	2019
Services		
Trucking	$ 923,398	$ 1,579,660
Waste hauling	1,588,010	1,901,314
Repairs	464,475	377,004
Other	403,772	343,436
Total services	3,379,655	4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenues	$ 6,702,599	$ 6,380,025

Cost of sales. Our total cost of sales was $9,406,228 for the year ended December 31, 2020, including $5,866,414 from Asien's for the period from May 29, 2020 to December 31, 2020 and $665,022 from Kyle's for the period from October 1, 2020 to December 31, 2020, as compared to $1,830,067 for the year ended December 31, 2019.

Cost of sales for the retail and appliances segment consists of the cost of purchased merchandise plus the cost of delivering merchandise and where applicable installation, net of promotional rebates and other incentives received from vendors. Cost of sales for the retail and appliances segment was $5,866,414 for the period from May 29, 2020 to December 31, 2020. As a percentage of retail and appliances revenues, cost of sales for the retail and appliances segment was 76.9% for such period.

Cost of sales for the construction segment consists of lumber, hardware and materials and plus direct labor and related costs, net of any material discounts from vendors. Cost of sales for the construction segment was $665,022 for the period from October 1, 2020 to December 31, 2020. As a percentage of construction revenues, cost of sales for the construction segment was 59.4% for such period.

Cost of sales for the land management services segment consist of the direct costs of our equipment and parts. Cost of sales for the land management segment increased by $1,037,795, or 56.7%, to $2,867,862 for the year ended December 31, 2020 from $1,830,067 for the year ended December 31, 2019. Such increase was due to the sale of tractors, net of a decrease in waste hauling costs, in the year ended December 31, 2019. As a percentage of land management services revenue, cost of sales for land management services segment was 42.8% and 28.7% for the years ended December 31, 2020 and 2019, respectively.

Personnel costs. Personnel costs include employee salaries and bonuses plus related payroll taxes. It also includes health insurance premiums, 401(k) contributions, and training costs. Our total personnel costs were $2,553,589 for the year ended December 31, 2020, including $525,346 from Asien's for the period from May 29, 2020 to December 31, 2020 and $209,521 from Kyle's for the period from October 1, 2020 to December 31, 2020, as compared to $2,228,194 for the year ended December 31, 2019.

Personnel costs for the retail and appliances segment were $525,346 for the period from May 29, 2020 to December 31, 2020. As a percentage of retail and appliances revenue, personnel costs for the retail and appliances segment were 6.9% for such period.

Personnel costs for the construction segment were $209,521 for the period from October 1, 2020 to December 31, 2020. As a percentage of construction revenue, personnel costs for the construction segment were 18.7% for such period.

Personnel costs for the land management services segment decreased by $409,472, or 18.4%, to $1,818,722 for the year ended December 31, 2020 from $2,228,194 for the year ended December 31, 2019. Such decrease was due to reduction of staff attributable to COVID-19 related reduced demand for trucking services. As a percentage of land management services revenue, personnel costs for the land management services segment were 27.3% and 34.9% and for the years ended December 31, 2020 and 2019, respectively.

Fuel costs. Fuel costs, which are attributable to our land management services segment, include fuel for our on-road trucking and off-road manure spreading services. Our fuel costs decreased by $340,380, or 47.3%, to $378,115 for the year ended December 31, 2020 from $718,495 for the year ended December 31, 2019. The decrease in fuel costs is the result of a decline in market prices for fuel purchases and the decline in trucking services provided.

General and administrative expenses. Our general and administrative expenses consist primarily of professional advisor fees, stock-based compensation, bad debts reserve, rent expense, advertising, bank fees, and other expenses incurred in connection with general operations.

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Our total general and administrative expenses were $4,185,442 for the year ended December 31, 2020, including $1,362,169 from Asien's for the period from May 29, 2020 to December 31, 2020 and $254,630 from Kyle's for the period from October 1, 2020 to December 31, 2020, as compared to our total general and administrative expenses of $1,569,149 for the year ended December 31, 2019.

General and administrative expenses for the retail and appliances segment was $1,362,169 for the period from May 29, 2020 to December 31, 2020. As a percentage of retail and appliances revenue, general and administrative expenses for the retail and appliances segment was 17.9% for the year ended December 31, 2020.

General and administrative expenses for the construction segment was $394,167 for the period from October 1, 2020 to December 31, 2020. As a percentage of construction revenue, general and administrative expenses for the construction segment was 22.9% for the year ended December 31, 2020.

General and administrative expenses for the land management services segment increased by $125,303, or 8.9%, to $1,533,011 for the year ended December 31, 2020 from $1,407,708 for the year ended December 31, 2019. The increase primarily resulted from an increase in general and administrative costs of $206,610, offset by a decrease in repair and maintenance of $76,104 and professional fees of $5,203. As a percentage of land management services revenue, general and administrative expenses for the land management services segment was 22.9% and 22.1% for the years ended December 31, 2020 and 2019, respectively.

General and administrative expenses for our holding company increased by $734,654, or 455.0%, to $896,095 for the year ended December 31, 2020, from $161,441 for the year ended December 31, 2019. The increase was due to an increase in professional fees compared to the prior year and issuance of stock-based compensation in the current year of $523,936.

Total other income (expense). We had $941,837 in total other expense, net, for the year ended December 31, 2020, as compared to other expense, net, of $498,577 for the year ended December 31, 2019. Other expense, net, in the year ended December 31, 2020 consisted of financing costs of $205,075, loss on extinguishment of debt of $382,681, interest expense of $460,559 and other expense of $24,271, offset by a gain on sale of fixed assets of $130,749, while total other expense, net, for the year ended December 31, 2019 consisted of financing costs of $32,400 interest expense of $523,780, offset by a gain on sale of fixed assets of $57,603.

Net loss from continuing operations. As a result of the cumulative effect of the factors described above, our net loss from continuing operations was $3,032,612 for the year ended December 31, 2020, including $431,641 from Asien's for the period from May 29, 2020 to December 31, 2020 and $380,499 from Kyle's for the period from October 1, 2020 to December 31, 2020, as compared to a net loss of $1,313,271 for the year ended December 31, 2019.

Liquidity and Capital Resources

As of December 31, 2020, we had cash and cash equivalents of $1,393,368 and restricted cash of $403,811. To date, we have financed our operations primarily through revenue generated from operations, cash proceeds from financing activities, borrowings, and equity contributions by our shareholders.

Although we do not believe that we will require additional cash to continue our operations over the next twelve months (i.e., we do not believe that there is a going concern issue), we do believe additional funds are required to execute our business plan and our strategy of acquiring additional businesses. The funds required to execute our business plan will depend on the size, capital structure and purchase price consideration that the seller of a target business deems acceptable in a given transaction. The amount of funds needed to execute our business plan also depends on what portion of the purchase price of a target business the seller of that business is willing to take in the form of seller notes or our equity or in one of our subsidiaries. Given these factors, we believe that the amount of outside additional capital necessary to execute our business plan on the low end (assuming target company sellers accept a significant portion of the purchase price in the form of seller notes or our equity or in one of our subsidiaries) ranges between $100,000 to $250,000. If, and to the extent, that sellers are unwilling to accept a significant portion of the purchase price in seller notes and equity, then the cash required to execute our business plan could be as much as $5,000,000. We will seek growth as funds become available from cash flow, borrowings, additional capital raised privately or publicly, or seller retained financing.

Our primary use of funds will be for future acquisitions, public company expenses including regular distributions to our shareholders, investments in future acquisitions, payments to our manager pursuant to the management services agreement, potential payment of profit allocation to our manager and potential put price to our manager in respect of the allocation shares it owns. The management

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fee, expenses, potential profit allocation and potential put price are paid before distributions to shareholders and may be significant and exceed the funds we hold, which may require us to dispose of assets or incur debt to fund such expenditures. See Item 1. "*Business—Our Manager*" for more information concerning the management fee, the profit allocation and put price.

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

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

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

Summary of Cash Flow

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

Cash Flow

	Years Ended December 31,	
	2020	**2019**
Net cash provided by operating activities from continuing operations	$ 789,305	$ 782,760
Net cash provided by (used in) investing activities from continuing operations	1,183,932	(45,121)
Net cash used in financing activities from continuing operations	(350,348)	(897,229)
Net increase/decrease in cash and cash equivalents from continuing operations	1,622,889	(159,590)
Cash and cash equivalents at beginning of period	174,290	333,880
Cash and cash equivalent at end of period	$ 1,797,179	$ 174,290

Net cash provided by operating activities from continuing operations was $789,305 for the year ended December 31, 2020, as compared to $782,760 for the year ended December 31, 2019. For the year ended December 31, 2020, the net loss from continuing operations of $3,024,657, an increase in inventory of $635,003, an increase in prepaids and other costs of $533,745 and a decrease in uncertain tax position and deferred taxes of $146,800, offset by an decrease in accounts receivable of 352,490, an increase in accounts payable and accrued expenses of $941,199, an increase in customer deposits of $965,254, accrued expense long-term of $454,209, non-cash

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depreciation and amortization of $1,447,077, stock compensation of $523,936 and loss on extinguishment of debt of $382,681, were the primary drivers of the net cash provided by operating activities. For the year ended December 31, 2019, the net loss from continuing operations of $1,313,271, an increase in accounts receivable of $41,801, an increase in prepaid expenses and other assets of $18,794, and a decrease in uncertain tax position and deferred taxes of $309,800, offset by, depreciation and amortization of $1,352,872, and an increase in accounts payable and accrued expenses of $452,432, accrued expense long-term of $453,923 and a decrease in inventory of $242,532, were the primary drivers of the net cash used in operating activities.

Net cash provided by investing activities from continuing operations was $1,183,932 for the year ended December 31, 2020, as compared to net cash used in investing activities of $45,121 for the year ended December 31, 2019. For the year ended December 31, 2020, net cash provided by investing activities consisted of net cash acquired from the acquisitions of Asien's and Kyle's of $1,409,936 and proceeds from sale of property and equipment of $209,500, offset by investments in certificates of deposits of $276,270 and the purchase of equipment of $159,234, while net cash provided by investing activities for the year ended December 31, 2019 consisted of proceeds from sale of property and equipment of $143,711, offset by the purchase of equipment in the amount of $188,832.

Net cash used in financing activities from continuing operations was $350,348 for the year ended December 31, 2020, as compared to $897,229 for the year ended December 31, 2019. For the year ended December 31, 2020, net cash used in financing activities consisted of the payment to Kyle's seller of $4,356,162, net payments on notes payable of $1,512,684, repayments on capital lease obligations of $721,151, financing fees of $113,831, grid note payments of $62,500 and repayment of floor plan of $10,581, offset by net proceeds of $4,921,315 from the sale of units described below, proceeds of note payable of $969,697, proceeds from the line of credit of $301,081, proceeds from the exercise of stock options and warrants of $212,500 and proceeds from vehicle loans of $21,968, while net cash used in financing activities for the year ended December 31, 2019 consisted of repayments on capital lease obligations of $524,058, net payments on notes payable of $304,052 and repayment of short term borrowings of $98,519, offset by proceeds of notes payable of $27,000.

Unit Offering

On September 30, 2020, we sold an aggregate of 2,189,835 units, at a price of $1.90 per unit, for aggregate gross proceeds of $4,160,684. On October 26, 2020, we sold an additional 442,443 units for an aggregate purchase price of $840,640. Each unit consists of one (1) series A senior convertible preferred share and a three-year warrant to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances.

Debt

1847 Holdings

On January 3, 2018, we issued a grid promissory note to our manager in the initial principal amount of $50,000. The note provided that we could request additional advances from our manager up to an aggregate additional amount of $150,000. On December 7, 2020, parties amended and restated the note for a new principal amount of $56,900 and maturity date of December 7, 2021. Interest on the note accrues on the unpaid portion of the principal amount and the outstanding portion of all advances at a fixed rate of 8% per annum. If all or a portion of the principal amount or any advance under the note, or any interest payable thereon is not paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate of 12% per annum. In the event that we complete a financing that includes an uplisting of our common shares to a national exchange, then we must, contemporaneously with the closing of such financing transaction, repay the entire outstanding principal, outstanding advances, and accrued and unpaid interest on the note. The note is unsecured and contains customary events of default. As of December 31, 2020 and 2019, our manager has advanced $56,900 and $119,400 of the note and we have accrued interest of $25,159 and $17,115, respectively.

1847 Neese/Neese

Home State Bank

On June 13, 2018, Neese entered into a term loan agreement with Home State Bank, pursuant to which Neese issued a promissory note to Home State Bank in the principal amount of $3,654,074 with an annual interest rate of 6.85% and with covenants to maintain a minimum debt coverage ratio of 1.00 to 1.25 measured at December 31, 2020. Neese met this covenant for the year ended December 31, 2020. On July 30, 2020, Neese entered into a change in terms agreement with Home State Bank to amend the terms of the term loan. Pursuant to the change in terms agreement: (i) the maturity date was extended to July 30, 2022; (ii) the interest rate was changed to 5.50%; (iii) Neese

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agreed to pay accrued interest in the amount of $95,970.42; (iv) Neese agreed to make payments of $30,000 beginning on September 30, 2020 and continuing thereafter on a monthly basis until maturity, at which time a final interest payment is due; (v) Neese agreed to make a payment of $260,000 on December 30, 2020 and December 30, 2021; (vi) Neese agreed to make two new advances under the note in the amounts $51,068.19 and $517,528.86 to repay in full Neese's capital lease transactions due to Utica Leaseco LLC; (vii) Neese agreed to pay a loan fee of $17,500; and (viii) Home State Bank agreed to make a loan advance to checking for $17,500. The balance of the note amounts to $3,225,320, comprised of principal of $3,239,175, net of unamortized debt discount of $13,855 as of December 31, 2020.

The loan agreement contains customary representations and warranties and events of default. Upon an event of default, the interest rate on the note will be increased by 3 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. The loan is secured by inventory, accounts receivable, and certain fixed assets of Neese. The loan agreement limited the payment of interest on the 10% promissory note described below to $40,000 annually. We continue to accrue interest at the contractual amounts. Such accruals (in excess of $40,000 in interest on the promissory note) are shown as long-term accrued expenses in the accompanying balance sheet as of December 31, 2020.

If we sell property, plant, and equipment securing the loan, we must remit the appraised value of the equipment to Home State Bank. During the years ended December 31, 2020 and 2019, $0 and $30,500, respectively, was remitted to Home State Bank pursuant to this requirement.

We adopted ASU 2015-03 by deducting debt issuance costs from the long-term portion of the loan. Amortization of the Home State Bank debt issuance costs totaled $15,513 and $18,645 for the years ended December 31, 2020 and 2019, respectively.

10% Promissory Note

A portion of the purchase price for the acquisition of Neese was paid by the issuance of a promissory note in the principal amount of $1,025,000 by 1847 Neese and Neese to the sellers of Neese (who we refer to as the Neese Sellers). The note bears interest on the outstanding principal amount at the rate of ten percent (10%) per annum and was due and payable in full on March 3, 2018. The note is unsecured and contains customary events of default. The note has not been repaid, so we are in default under this note. Under terms of the term loan with Home State Bank described above, this note may not be paid until the term loan is paid in full. The Neese Sellers agreed to the modification of its terms by signing the loan agreement for the Home State Bank term loan. Accordingly, the loan is shown as a long-term liability as of December 31, 2020. Additionally, Home State Bank limits the payment of interest on this note to $40,000 annually. We continue to accrue interest at the contract rate; however, given the limitations of the term loan, all accrued interest in excess of $40,000 is included in long-term accrued expenses.

<u>1847 Asien/Asien's</u>

Arvest Bank

On July 10, 2020, Asien's entered into a promissory note and security agreement with Arvest Bank for a revolving loan for up to $400,000. The loan matures on July 10, 2021 and bears interest at 5.25% per annum, subject to change in accordance with the Variable Rate (as defined in the promissory note and security agreement), the calculation for which is the U.S. Prime Rate plus 2%. Pursuant to the terms of the promissory note and security agreement, Asien's is required to make monthly payments beginning on August 10, 2020 and until the maturity date, at which time all unpaid principal and interest will be due. Asien's may prepay the loan in full or in part at any time without penalty. The promissory note and security agreement contains customary representations, warranties, affirmative and negative covenants and events of default for a loan of this type. The loan is secured by Asien's inventory and equipment, accounts and other rights of payments, and general intangibles, as such terms are defined in the Uniform Commercial Code. The remaining principal balance of the note at December 31, 2020 is $301,081 and it has accrued interest of $995.

8% Subordinated Amortizing Promissory Note

A portion of the purchase price for acquisition of Asien's was paid by the issuance of an 8% subordinated amortizing promissory note in the principal amount of $200,000 by 1847 Asien to the seller of Asien's (which we refer to as the Asien's Seller). Interest on the outstanding principal amount will be payable quarterly at the rate of eight percent (8%) per annum. The outstanding principal amount of the note will amortize on a one-year straight-line basis in accordance with a specified amortization schedule, with all unpaid principal and accrued, but unpaid interest being fully due and payable on May 28, 2021. The note contains customary events of default. The right

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of the Asien's Seller to receive payments under the note is subordinated to all indebtedness of 1847 Asien to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities. The remaining principal balance of the note at December 31, 2020 is $101,980 and it has accrued interest of $1,095.

6% Amortizing Promissory Note

On July 29, 2020, 1847 Asien entered into a securities purchase agreement with the Asien's Seller, pursuant to which the Asien's Seller sold to 415,000 of our common shares to 1847 Asien a purchase price of $2.50 per share. As consideration, 1847 Asien issued to the Asien's Seller a two-year 6% amortizing promissory note in the aggregate principal amount of $1,037,500. One-half (50%) of the outstanding principal amount of the note ($518,750) and all accrued interest thereon, will be amortized on a two-year straight-line basis and is payable quarterly. The second-half (50%) of the outstanding principal amount of the note ($518,750) with all accrued, but unpaid interest thereon, is due on the second anniversary of the note. The note is unsecured and contains customary events of default. The remaining principal balance of the note at December 31, 2020 is $975,985 and it has accrued interest of $17,894.

4.5% Unsecured Promissory Note

On October 30, 2017, Asien's entered into a stock repurchase agreement with Paul A. Gwilliam and Terri L. Gwilliam, co-trustees of the Gwilliam Family Trust, pursuant to which Asien's issued an unsecured promissory note in the aggregate principal amount of $540,000 for a term of 5 years. The note bears interest at the rate of the 4.25% per annum. The remaining balance of the note at December 31, 2020 is $41,675.

Loans on Vehicles

Asien's has entered into four retail installment sale contracts pursuant to which Asien's agreed to finance its delivery trucks at rates ranging 3.98% to 6.99% with an aggregate remaining principal amount of $90,376 as of December 31, 2020.

1847 Cabinet/Kyle's

Vesting Promissory Note

A portion of the purchase price for the acquisition of Kyle's on September 30, 2020 was paid by the issuance of a vesting promissory note by 1847 Cabinet to the sellers of Kyle's (which we refer to as the Kyle's Sellers) in the principal amount of $1,050,000, which increased to a principal amount of up to $1,260,000 pursuant to the vested percentage calculation described below. Payment of the principal and accrued interest on the note is subject to vesting as described below. The note bears interest on the vested portion of principal amount at the rate of eight percent (8%) per annum. To the extent vested, the vested portion of the principal and all accrued but unpaid interest on such vested portion of the principal shall be paid in one lump sum on the last day of the thirty-sixth (36th) month following the date of the note.

The vested principal of the note due at the maturity date shall be calculated each year based on the average annual consolidated EBITDA (as defined in the note) of 1847 Cabinet for each of the years ended December 31, 2020, 2021 and 2022. The EBITDA for each year shall be divided by $1.4 million multiplied by 100 to obtain the vested percentage. The vested principal for each year shall be equal to the vested percentage for that year multiplied by $350,000. To the extent that the vested percentage for the subject year is less than 80%, no portion of the note for that year shall vest. To the extent that the vested percentage for the subject year is equal to or greater than 120%, the vested principal shall be equal to $420,000 for that year and no more. For the year ended December 31, 2020, EBITDA of 1847 Cabinet was approximately $1,531,000, resulting in a vested amount of approximately $415,000.

1847 Cabinet will have the right to redeem all but no less than all of the note at any time prior to the maturity date. If 1847 Cabinet elects to redeem the note, the redemption price will be payable in cash and is equal to the then outstanding vested portion of the principal plus any remaining unvested principal amount plus accrued but unpaid interest thereon (calculated over 36 months). For purposes of this redemption calculation, the "unvested principal amount" shall be $350,000 per year.

The note contains customary events of default. The right of the Kyle's Sellers to receive payments under the note is subordinated to all indebtedness of 1847 Cabinet, whether outstanding as of the closing date or thereafter created, to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities.

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Intercompany Secured Promissory Note

In connection with the acquisition of Kyle's, we provided 1847 Cabinet with the funds necessary to pay the cash portion of the purchase price and cover acquisition expenses. In connection therewith, on September 30, 2020, 1847 Cabinet issued a secured promissory note to our company in the principal amount of $4,525,000, which was amended and restated on December 11, 2020. Pursuant to such amendment and restatement, if and to the extent any amounts are owing under the units described under "—*Unit Offering*" above, due to a default or redemption, in addition to payment obligations due under the note, 1847 Cabinet is required to immediately make payments to us so that we may make any required payments in compliance with the terms of the units. The note bears interest at the rate of 16% per annum. The interest is cumulative and any unpaid accrued interest will compound on each anniversary date of the note. Interest is due and payable in arrears on January 15, April 15, July 15 and October 15 commencing January 15, 2021. In the event payment of principal or interest due under the note is not made when due, giving effect to any grace period which may be applicable, or in the event of any other default (as defined in the note), the outstanding principal balance shall from the date of default immediately bear interest at the rate of 5% above the then applicable interest rate for so long as such default continues. We may demand payment in full of the note at any time, even if 1847 Cabinet has complied with all of the terms of the note; and the note shall be due in full, without demand, upon a third party sale of all or substantially all the assets and business of 1847 Cabinet or a third party sale or other disposition of any capital stock of 1847 Cabinet. 1847 Cabinet may prepay the note at any time without penalty. The note contains customary events of default, is guaranteed by Kyle's and is secured by all of the assets of 1847 Cabinet and Kyle's. The remaining principal balance of the note at December 31, 2020 is $4,525,000 and it has accrued interest of $182,488.

PPP Loans

On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program, or PPP, loans from the United States Small Business Administration, or the SBA, under provisions of the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act. The PPP loans have two-year terms and bear interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loans may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loans contain events of default and other provisions customary for loans of this type. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act. We have classified $741,100 of the PPP loans as long-term liabilities upon receiving SBA forgiveness of the loans in early 2021.

Total Debt

The following table shows aggregate figures for the total debt described above that is coming due in the short and long term as of December 31, 2020. See the above disclosures for more details regarding these loans.

	Short-Term	Long-Term	Total Debt
Grid Promissory Note	$ 56,900	$ -	$ 56,900
Term Loan – Home State Bank	446,545	2,778,775	3,225,320
10% Promissory Note – Neese Sellers	-	1,025,000	1,025,000
Revolving Loan – Asien's	301,081	-	301,081
8% Subordinated Amortizing Promissory Note – Asien's Seller	357,408	720,557	1,077,965
6% Amortizing Promissory Note – Asien's Seller	-	-	
4.5% Unsecured Promissory Note – Gwilliam Family Trust	41,675	-	41,675
Vehicle loans – Asien's	30,100	60,276	90,376
Vesting Promissory Note – Kyle's Sellers (a)	-	498,979	498,979
PPP loans	-	741,100	741,100
Total	$ 1,233,709	$ 5,824,687	$ 7,058,396

(a) net of valuation adjustment of $551,021

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Contractual Obligations

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

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

Revenue Recognition and Cost of Revenue

On January 1, 2018, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments. Our adoption of this ASU resulted in no change to our results of operations or balance sheet.

Retail and Appliances Segment

Asien's collects 100% of the payment for special-order models including tax and 50% of the payment for non-special orders from the customer at the time the order is placed. Asien's does not incur incremental costs obtaining purchase orders from customers, however, if Asien's did, because all Asien's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

Performance Obligations – The revenue that Asien's recognizes arises from orders it receives from customers. Asien's performance obligations under the customer orders correspond to each sale of merchandise that it makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the merchandise sale to be completed. Control of the delivery transfers to customers when the customer can direct the use of, and obtain substantially all the benefits from, Asien's products, which generally occurs when the customer assumes the risk of loss. The transfer of control generally occurs at the point of pickup, shipment, or installation. Once this occurs, Asien's has satisfied its performance obligation and Asien's recognizes revenue.

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Transaction Price – Asien's agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon sales price. In Asien's contracts with customers, it allocates the entire transaction price to the sales price, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax that Asien's collects concurrently with revenue-producing activities are excluded from revenue.

Cost of revenue includes the cost of purchased merchandise plus freight and any applicable delivery charges from the vendor to Asien's. Substantially all Asien's sales are to individual retail consumers (homeowners), builders and designers. The large majority of customers are homeowners and their contractors, with the homeowner being key in the final decisions. Asien's has a diverse customer base with no one client accounting for more than 5% of total revenue.

Land Management Segment

Neese's payment terms are due on demand from acceptance of delivery. Neese does not incur incremental costs obtaining purchase orders from customers, however, if Neese did, because all of Neese's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

The revenue that Neese recognizes arises from orders it receives from customers. Neese's performance obligations under the customer orders correspond to each service delivery or sale of equipment that Neese makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the service or equipment sale to be completed. Control of the delivery transfers to customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, Neese's products, which generally occurs at the later of when the customer obtains title to the equipment or when the customer assumes risk of loss. The transfer of control generally occurs at a point of delivery. Once this occurs, Neese has satisfied its performance obligation and Neese recognizes revenue.

Neese also sells equipment by posting it on auction sites specializing in farm equipment. Neese posts the equipment for sale on a "magazine" site for several weeks before the auction. When Neese decides to sell, it moves the equipment to the auction site. The auctions are one day. If Neese accepts a bid, the customer pays the bid price and arranges for pick-up of the equipment.

Transaction Price – Neese agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon service fee. In Neese's contracts with customers, it allocates the entire transaction price to the service fee to the customer, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax, value added tax, and other tax Neese collects concurrently with revenue-producing activities are excluded from revenue.

If Neese continued to apply legacy revenue recognition guidance for year ended December 31, 2020, revenues, gross margin, and net loss would not have changed.

Substantially all of Neese's sales are to businesses, including farmers or municipalities and very little to individuals.

Disaggregated Revenue – Neese disaggregates revenue from contracts with customers by contract type, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance Obligations – Performance obligations for the different types of services are discussed below:

- *Trucking* – Revenues for time and material contracts are recognized when the merchandise or commodity is delivered to the destination specified in the agreement with the customer.
- *Waste Hauling and pumping* – Revenues for waste hauling and pumping is recognized when the hauling, pumping, and spreading are complete.
- *Repairs* – Revenues for repairs are recognized upon completion of equipment serviced.
- *Sales of parts and equipment* – Revenues for the sale of parts and equipment are recognized upon the transfer and acceptance by the customer.

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Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration. Unbilled receivables of $38,000 and $121,989 are included in this balance at December 31, 2020 and 2019, respectively. The payment of consideration related to these unbilled receivables is subject only to the passage of time.

Neese reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value. The estimates are based on an analysis of past due receivables, historical bad debt trends, current economic conditions, and customer specific information. After Neese has exhausted all collection efforts, the outstanding receivable balance relating to services provided is written off against the allowance. Additions to the provision for bad debt are charged to expense.

Neese determined that an allowance for loss of $14,614 and $29,001 was required at December 31, 2020 and 2019, respectively.

<u>Construction Segment</u>

Kyle's generates revenues from providing cabinet design, construction and installation primary from cabinet-related products and supplies.

Kyle's provides cabinet design, construction and installation services to customers with both residential and commercial projects. A majority of Kyle's contracts are recurring work from a builder team. Kyle's will provide pricing and work with individual homeowners, designers and builders to determine pricing options and upgrades to the base proposed contact pricing.

Performance Obligations - For substantially all landscaping construction contracts, the Company recognizes revenue over time, as performance obligations are satisfied, on a percentage completion basis on a total project cost basis. Typical contacts will last approximately 4-6 weeks from start to the substantial completion of the project.

Significant Judgments and Estimates - For cabinet construction contracts, measuring the percent completion on an individual project requires estimates obtained by discussions with field personnel. Estimates are also used in determining the total estimated total costs of a project. These estimates and assumptions are the best information management has at the time percent complete is calculated. The Company employs the same estimation methodology on a quarterly basis.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration.

Receivables

Receivables consist of credit card transactions in the process of settlement. Vendor rebates receivable represent amounts due from manufactures from whom we purchase products. Rebates receivable are stated at the amount that management expects to collect from manufacturers, net of accounts payable amounts due the vendor. Rebates are calculated on product and model sales programs from specific vendors. The rebates are paid at intermittent periods either in cash or through issuance of vendor credit memos, which can be applied against vendor accounts payable. Based on our assessment of the credit history with our manufacturers, we have concluded that there should be no allowance for uncollectible accounts. We historically collect substantially all of our outstanding rebates receivables. Uncollectible balances are expensed in the period it is determined to be uncollectible.

Allowance for Credit Losses

Provisions for credit losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for future losses on our accounts receivable. We charge credit losses against the allowance and credits subsequent recoveries, if any, to the allowance. Historical loss experience and contractual delinquency of accounts receivables, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

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The allowance for credit losses consists of general and specific components. The general component of the allowance estimates credit losses for groups of accounts receivable on a collective basis and relates to probable incurred losses of unimpaired accounts receivables. We record a general allowance for credit losses that includes forecasted future credit losses.

Inventory

For Asien's, inventory mainly consists of appliances that are acquired for resale and is valued at the average cost determined on a specific item basis. Inventory also consists of parts that are used in service and repairs and may or may not be charged to the customer depending on warranty and contractual relationship. For Neese, inventory consists of finished products acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis. Kyle's typically orders inventory on a job-by-job basis and those jobs are put into production within hours of being received. The inventory in production is accounted for in the contact assets and liabilities and follows the percentage completion methodology. Inventories consisting of materials and supplies are stated at lower of costs or market. We periodically evaluate the value of items in inventory and provides write-downs to inventory based on our estimate of market conditions. We estimated an obsolescence allowance of $181,370 and $26,546 at December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation of furniture, vehicles and equipment is calculated using the straight-line method over the estimated useful lives as follows:

	Useful Life (Years)
Building and Improvements	4
Machinery and Equipment	3-7
Tractors	3-7
Trucks and Vehicles	3-6

Goodwill and Intangible Assets

In applying the acquisition method of accounting, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Identifiable intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment within one year of acquisitions or annually as of December 1, and whenever indicators of impairment exist. The fair value of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

Acquired identifiable intangible assets are amortized over the following periods:

Acquired intangible Asset	Amortization Basis	Expected Life (years)
Customer-Related	Straight-line basis	5-15
Marketing-Related	Straight-line basis	5

Long-Lived Assets

We review our property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

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Fair Value of Financial Instruments

Our financial instruments consist of cash and cash equivalents, certificates of deposit and amounts due to shareholders. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in our financial statements.

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy is as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market date.

Our held to maturity securities are comprised of certificates of deposit.

Derivative Instrument Liability

We account for derivative instruments in accordance with ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts, and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged.

Stock-Based Compensation

We record stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued and are recognized over the employees required service period, which is generally the vesting period.

Leases

We adopted ASC Topic 842, *Leases*, on January 1, 2019. The new leasing standard requires recognition of leases on the consolidated balance sheets as right-of-use, or ROU, assets and lease liabilities. ROU assets represent our right to use underlying assets for the lease terms and lease liabilities represent our obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As our leases do not provide an implicit rate, we used our estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. A number of the lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

We recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the period when the changes in facts and circumstances on which the variable lease payments are based occur. We have elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

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

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(e) of the Exchange Act, our management has carried out an evaluation, with the participation and under the supervision of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2020. Based upon, and as of the date of this evaluation, our chief executive officer and chief financial officer determined that, because of the material weaknesses described below, our disclosure controls and procedures were not effective.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting refers to the process designed by, or under the supervision of, our principal executive officer and principal financial and accounting officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this evaluation, management used the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on our evaluation, we determined that, as of December 31, 2020, our internal control over financial reporting was not effective due to the following material weaknesses.

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- We did not have appropriate policies and procedures in place to evaluate the proper accounting and disclosures of key documents and agreements.

- We do not have adequate segregation of duties with our limited accounting personnel and rely upon outsourced accounting services.

- We do not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of accounting principles generally accepted in the United States commensurate with our financial reporting requirements.

In order to cure the foregoing material weakness, we have taken or plan to take the following remediation measures:

- On January 14, 2021, we hired Jay Amond as our Chief Financial Officer. Mr. Amond has more than 30 years of experience with positions as chief executive officer, chief financial officer and controller of various private and public companies and has significant GAAP and SEC reporting experience.

- We plan to make necessary changes by providing training to our financial team and our other relevant personnel on the GAAP accounting guidelines applicable to financial reporting requirements.

- We have engaged the outsourced accounting and financial reporting services of Carrollton Partners, LLC and we continue to use its services and those of other outsourced financial professionals for corporate and subsidiary financial reporting.

We intend to complete the remediation of the material weaknesses discussed above as soon as practicable but we can give no assurance that we will be able to do so. Designing and implementing an effective disclosure controls and procedures is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to devote significant resources to maintain a financial reporting system that adequately satisfies our reporting obligations. The remedial measures that we have taken and intend to take may not fully address the material weaknesses that we have identified, and material weaknesses in our disclosure controls and procedures may be identified in the future. Should we discover such conditions, we intend to remediate them as soon as practicable. We are committed to taking appropriate steps for remediation, as needed.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

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

Except for the matters described above, there have been no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

We have no information to disclose that was required to be disclosed in a report on Form 8-K during fourth quarter of fiscal year 2020 but was not reported.

PART III

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ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Directors and Executive Officers

The following sets forth information about our directors and executive officers:

Name	Age	Position
Ellery W. Roberts	50	Chairman, Chief Executive Officer and President
Jay Amond	66	Chief Financial Officer
Robert D. Barry	77	Director
Paul A. Froning	50	Director

Ellery W. Roberts. Mr. Roberts has been the Chairman, Chief Executive Officer and President of our company since its inception on January 22, 2013. Mr. Roberts brings over 20 years of private equity investing experience to our company. In July 2011, Mr. Roberts formed The 1847 Companies LLC, a company that is no longer active, where he began investing his own personal capital and capital of high net worth individuals in select transactions. Prior to forming The 1847 Companies LLC, Mr. Roberts was the co-founder and was co-managing principal from October 2009 to June 2011 of RW Capital Partners LLC, the recipient of a "Green Light" letter from the U.S. Small Business Administration permitting RW Capital Partners LLC to raise capital in pursuit of the Small Business Investment Company license with the preliminary support of the Small Business Administration. Mr. Roberts was a founding member of Parallel Investment Partners, LP (formerly SKM Growth Investors, LP), a Dallas-based private equity fund focused on re-capitalizations, buyouts and growth capital investments in lower middle market companies throughout the United States. Previously, Mr. Roberts served as Principal with Lazard Group LLC (NYSE: LAZ), a Senior Financial Analyst at Colony Capital, Inc., and a Financial Analyst with the Corporate Finance Division of Smith Barney Inc. (now known as Morgan Stanley Smith Barney LLC). Mr. Roberts has also served as the chairman of the board of Goedeker (GOED) since April 2019 and has also been a director of Western Capital Resources, Inc. (WCRS) since May 2010. Mr. Roberts received his B.A. degree in English from Stanford University. Mr. Roberts was selected to serve on our board of directors due to his extensive senior management experience in the industry in which we operate, having served as founder or executive of various other management, investment and corporate advisory companies for over 15 years.

Jay Amond. Mr. Amond has served as our Chief Financial Officer since January 2021. Mr. Amond has over 30 years of experience in the retail and wholesale industries. Prior to joining us, he served as President and Chief Executive Officer for Nebraska Book Holdings, leading their Wholesale, Computer Technology, Consulting Services and Store Design/Construction Company's. He also served as their Chief Financial Officer for two years prior. Mr. Amond worked for Patina Solutions in Chicago IL as a Financial Consultant and prior to that was the SVP Chief Financial Officer for Follett Higher Education Group a major Wholesaler and Retailer in the Higher Education Market for nine years. He also served as the Corporate Controller for Ross Stores a publicly traded company (ROST) for five years and SVP Chief Financial Officer for Ultimo Enterprises LTD. Mr. Amond received his B.A. degree from Pennsylvania State University. He has previously served on the Board of Directors for Nebraska Book Holdings, PrismRBS Computer Software Company, University of Ottawa, Varsity Inc. and Ultimo Enterprises.

Robert D. Barry. Mr. Barry has been a member of our board of directors since January 2014. He has also served as the Chief Financial Officer of Goedeker since its inception in January 2019 and as the Controller of Neese since July 2017. From April 2013 until August 2016, Mr. Barry was Chief Executive Officer and Chief Financial Officer of Pawn Plus Inc., a chain of five retail pawn stores in suburban Philadelphia and one pawn store in northeastern Ohio. Prior to that, Mr. Barry served as Executive Vice President and Chief Financial Officer of Regional Management Corp. (NYSE:RM), a consumer loan company based in Greenville, South Carolina, from March 2007 to January 2013. Prior to joining Regional Management Corp., Mr. Barry was the Managing Member of AccessOne Mortgage Company, LLC in Raleigh, North Carolina, from 1997 to 2007. During this time, he also served as part-time Chief Financial Officer for Patriot State Bank, in Fuquay-Varina, North Carolina, from March 2006 to March 2007 and Nuestro Banco, Raleigh, North Carolina, from July 2006 to March 2007. Prior to his time at AccessOne, Mr. Barry was Executive Vice President and Chief Financial Officer for Regional Acceptance Corporation (NASDAQ:REGA), a consumer finance company based in Greenville, North Carolina and prior to that he was a financial institutions partner in the Raleigh, North Carolina office of KPMG LLP. Mr. Barry is a Certified Public Accountant licensed in North Carolina and Georgia. Mr. Barry was selected to serve on our board of directors due to his years of relevant financial and business expertise.

Paul A. Froning. Mr. Froning has been a member of our board of directors since April 2013. In 2009, Mr. Froning co-founded Focus Healthcare Partners LLC, a Chicago-based private equity investment, advisory and asset management firm targeting the senior housing

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and healthcare sectors. Prior to that, from February 2008 to October 2009, Mr. Froning was a Managing Director in the private equity department of Fortress Investment Group LLC (NYSE: FIG), a publicly-traded New York-based private investment firm. Prior to that, Mr. Froning was the Chief Investment Officer and Executive Vice President of Brookdale Senior Living Inc. (NYSE: BKD), a publicly-traded affiliate of Fortress Investment Group LLC, from 2005 to 2008. Previously, Mr. Froning held senior investment positions at the private equity investment arms of Lazard Group LLC (NYSE: LAZ) and Security Capital Group, prior to its acquisition by GE Capital Corp., in addition to investment banking experience at Salomon Brothers, prior to its acquisition by Travelers Group, and the securities subsidiary of Principal Financial Group (NYSE: PSG). Mr. Froning also serves on the board of directors of Goedeker. Mr. Froning has a B.A. degree from the University of Notre Dame. Mr. Froning was selected to serve on our board of directors due to his twenty years of private equity, investment and advisory experience.

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

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

Family Relationships

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

Involvement in Certain Legal Proceedings

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

- been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offences);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

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

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Governance Structure

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

The Board's Role in Risk Oversight

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

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

Material Changes to Director Nomination Procedures

There have been no material changes to the procedures by which shareholders may recommend nominees to our board of directors since such procedures were last disclosed.

Code of Ethics

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and beneficial holders of more than 10% of our common shares to file with the SEC initial reports of ownership and reports of changes in ownership of our equity securities. We believe, based solely on a review of the copies of such reports furnished to us and representations of these persons, that all reports were timely filed for the year ended December 31, 2020.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table - Years Ended December 31, 2020 and 2019

The following table sets forth information concerning all cash and non-cash compensation awarded to, earned by or paid to the named persons for services rendered in all capacities during the noted periods. No other executive officers received total annual salary and bonus compensation in excess of $100,000.

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Name and Principal Position	Year	Other Compensation ($)	Total ($)
Ellery W. Roberts	2020	-	-
Chief Executive Officer and Former Chief Financial Officer	2019	40,000	40,000

Mr. Ellery W. Roberts, our Chief Executive Officer and our former Chief Financial Officer from inception until January 14, 2021, is employed by our manager and is seconded to our company. Our manager, and not our company, pays any compensation to Mr. Roberts who is seconded to us under the management services agreement. We do not reimburse our manager for any compensation paid to Mr. Roberts in his capacity as our Chief Executive Officer. We pay our manager a quarterly management fee, and our manager may use the proceeds from the management fee, in part, to pay compensation to Mr. Roberts. For the years ended December 31, 2020 and 2019, the management fee expense for our manager amounted to $503,022 and $433,784, respectively, of which $253,022 and $120,137, respectively, was paid in cash.

Mr. Roberts did not receive any compensation as an employee of our manager for the years ended December 31, 2020 and 2019. However, Mr. Roberts, as a holder of limited liability company interests in our manger, received $0 and $40,000 for the years ended December 31, 2020 and 2019, respectively, as a result of distributions from our manger to its interest holders, which is included in "Other Compensation" in the table above. See Item 1 "*Business—Our Manager—Overview of Our Manager*" for information regarding the ownership of our manager.

Employment Agreements

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

On January 14, 2021, we entered into an employment agreement with Mr. Amond setting forth the terms of Mr. Amond's employment as our Chief Financial Officer. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Amond an annual base salary of $240,000, consisting of $80,000 for each of our three portfolio companies (Asien's, Kyle's and Neese), up to a maximum aggregate annual base salary of $300,000 upon the addition of a fourth portfolio company. Mr. Amond is also eligible for a bonus of up to 50% of his base salary, based on metrics in excess of present earnings targets to be agreed upon by Mr. Amond and our board of directors. If Mr. Amond is terminated by us without cause, he will be entitled to 6 months of base compensation, which will be paid in lump sum within two weeks of the separation date. The employment agreement also provides that Mr. Amond is entitled to twenty (20) working days of vacation per year and that he is eligible to participate in the standard benefits plans offered to similarly situated employees by us from time to time, subject to plan terms and generally applicable our policies. Pursuant to the employment agreement, Mr. Amond agreed not compete with our company during his employment or for one year after his employment ends, and he may not solicit any of our employees or consultants for a period of two years after his employment ends. The employment agreement also contains customary confidentiality provisions. Mr. Amond's employment is at-will and Mr. Amond may resign upon 90 days' notice.

Other Compensation

Our company does not provide any nonqualified deferred compensation arrangements or qualified or non-qualified pension plans to our named executive officers. The named executive officers have not been granted any options or other equity-based awards with respect to our common shares. As of December 31, 2020, the named executive officers did not hold any options or other equity-based awards with respect to our common shares.

Director Compensation

The table below sets forth the compensation to our directors during the fiscal year ended December 31, 2020.

Name	Option Awards ($)[1]	Total ($)
Ellery W. Roberts	-	-
Robert D. Barry	63,795	63,795
Paul A. Froning	127,591	127,591

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(1) On May 11, 2020, we granted options to Paul A. Froning and Robert D. Barry to purchase 60,000 and 30,000 common shares, respectively, each at an exercise price of $2.50 per share. The amount is equal to the aggregate grant-date fair value with respect to the awards, computed in accordance with FASB ASC Topic 718.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common shares as of April 14, 2021 by (i) each of our named executive officers and directors; (ii) all of our named executive officers and directors as a group; and (iii) each person who is known by us to beneficially own more than 5% of our common shares. Unless otherwise specified, the address of each of the persons set forth below is c/o our company, 590 Madison Avenue, 21st Floor, New York, NY 10022.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership(1)	Percent of Class(2)
Ellery W. Roberts, Chairman and Chief Executive Officer	Common Shares	1,448,500	29.91%
Jay Amond, Chief Financial Officer	Common Shares	0	*
Robert D. Barry, Director	Common Shares	17,500	*
Paul A. Froning, Director	Common Shares	60,000	1.24%
All executive officers and directors (4 persons)	Common Shares	1,526,000	31.51%
Edward J. Tobin (3)	Common Shares	997,500	20.60%
Louis A. Bevilacqua (4)	Common Shares	337,500	6.97%
Stephen Mallatt, Jr. and Rita Mallatt (5)	Common Shares	700,000	14.45%
Leonite Capital LLC (6)	Common Shares	401,771	8.30%

* Less than 1%

(1) Beneficial Ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Except as otherwise indicated, each of the beneficial owners listed above has direct ownership of and sole voting power and investment power with respect to our common shares.

(2) A total of 4,842,851 common shares are considered to be outstanding pursuant to SEC Rule 13d-3(d)(1) as of April 14, 2021. For each beneficial owner above, any options exercisable within 60 days have been included in the denominator.

(3) The address of Edward J. Tobin is 235 West End Ave, #17B, New York, NY 10023.

(4) The address of Louis A. Bevilacqua is 1050 Connecticut Ave., NW, Suite 500, Washington, DC 20036.

(5) The address of Stephen Mallatt, Jr. and Rita Mallatt is 2950 E. Lucca Dr., Meridian, ID 83642.

(6) Avi Geller is the Chief Investment Officer of Leonite Capital LLC and has voting and investment power over the securities held by it. Mr. Geller disclaims beneficial ownership of the shares held by Leonite Capital LLC except to the extent of his pecuniary interest, if any, in such shares. The address of Leonite Capital LLC is 1 Hillcrest Center Dr, Suite 232, Spring Valley, NY 10977.

Changes in Control

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

Securities Authorized for Issuance Under Equity Compensation Plans

We do not have in effect any compensation plans under which our equity securities are authorized for issuance.

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

Transactions with Related Persons

The following includes a summary of transactions since the beginning of our 2019 fiscal year, or any currently proposed transaction, in which we were or are to be a participant and the amount involved exceeded or exceeds the lesser of $120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which any related person had or will have a direct or indirect material interest (other than compensation described under "Executive Compensation" above). We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms available or the amounts that would be paid or received, as applicable, in arm's-length transactions.

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

- For the years ended December 31, 2020 and 2019, the management fee expense for our manager amounted to $503,022 and $433,784, respectively, of which $253,022 and $120,137, respectively, was paid in cash and $700,808 due to our manager is classified as a long-term accrued liability as of December 31, 2020. See Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Management Fees*" for more information regarding the management fees.

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

- As of December 31, 2020 and 2019, our manager has funded our company $71,358 and $62,499 in related party advances, respectively. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

- From time to time, we have received advances from Mr. Roberts to meet short-term working capital needs. As of December 31, 2020 and 2019, a total of $118,834 in advances are outstanding. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

- As of December 31, 2020 and 2019, our manager has funded $71,358 and $62,499 to us in related party advances, respectively. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

- On January 3, 2018, we issued a grid promissory note to our manager in the initial principal amount of $50,000. The note provided that we could request additional advances from our manager up to an aggregate additional amount of $150,000. On December 7, 2020, parties amended and restated the note for a new principal amount of $56,900 and maturity date of December 7, 2021. Interest on the note accrues on the unpaid portion of the principal amount and the outstanding portion of all advances at a fixed rate of 8% per annum. If all or a portion of the principal amount or any advance under the note, or any interest

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payable thereon is not paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate of 12% per annum. In the event that we complete a financing that includes an uplisting of our common shares to a national exchange, then we must, contemporaneously with the closing of such financing transaction, repay the entire outstanding principal, outstanding advances, and accrued and unpaid interest on the note. The note is unsecured and contains customary events of default. As of December 31, 2020 and 2019, our manager has advanced $56,900 and $119,400 of the note and we have accrued interest of $25,159 and $17,115, respectively.

- On March 3, 2017, Neese entered into an agreement of lease with K&A Holdings, LLC, a limited liability company that is wholly-owned by the officers of Neese. See Item 2 "*Properties*" for more information regarding this lease. Under terms of a term loan agreement with Home State Bank, we may not pay salary or rent to such officers of Neese in excess of $100,000 per year beginning on the date of the term loan agreement, June 13, 2018. We are accruing monthly rent, but because of the limitation in the term loan, $300,000 and $200,000 of accrued rent is classified as a long-term accrued liability as of December 31, 2020 and 2019, respectively.
- On September 1, 2020, Kyle's entered into an industrial lease agreement with Stephen Mallatt, Jr. and Rita Mallatt, who are officers of Kyle's and significant shareholders of our company. See Item 2 "*Properties*" for more information regarding this lease.

Director Independence

Our board of directors has determined that Paul A. Froning is independent within the meaning of the rules of the Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Independent Auditors' Fees

The following is a summary of the fees billed to us for professional services rendered for the fiscal years ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	**2019**
Audit Fees	$ 118,780	$ 79,000
Audit-Related Fees	318,402	85,300
Tax Fees	-	-
All Other Fees	-	-
TOTAL	$ 437,182	$ 164,300

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

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

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

"All Other Fees" consisted of fees billed for products and services provided by the principal accountant, other than the services reported above under other captions of this Item 14.

Pre-Approval Policies and Procedures

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Under the Sarbanes-Oxley Act of 2002, all audit and non-audit services performed by our auditors must be approved in advance by our board of directors to assure that such services do not impair the auditors' independence from us. In accordance with its policies and procedures, our board of directors pre-approved the audit service performed by Sadler, Gibb & Associates, LLC for our financial statements as of and for the year ended December 31, 2020.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES.

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

(1) *Index to Financial Statements:*

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2020 and 2019
Consolidated Statements of Operations for the Years Ended December 31, 2020 and 2019
Consolidated Statement of Shareholders' Deficit for the Years Ended December 31, 2020 and 2019
Consolidated Statements of Cash Flows for the Years Ended December 31, 2020 and 2019
Notes to Consolidated Financial Statements

(2) Index *to Financial Statement Schedules:*

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

(3) Index *to Exhibits:*

See exhibits listed under Part (b) below.

(b) ***Exhibits:***

Exhibit No.	Description
3.1	Certificate of Formation of 1847 Holdings LLC (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed on February 7, 2014)
3.2	Second Amended and Restated Operating Agreement of 1847 Holdings LLC, dated January 19, 2018 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on January 22, 2018)
4.1*	Description of Securities of 1847 Holdings LLC
4.2	Amended and Restated Share Designation of Series A Senior Convertible Preferred Shares (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on April 1, 2021)
4.3	Form of Common Share Purchase Warrant relating to 2020 private placement (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on October 7, 2020)
4.4	Form of Common Share Purchase Warrant relating to March 2021 private placement (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on April 1, 2021)
10.1	Form of Securities Purchase Agreement relating to 2020 private placement (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on October 7, 2020)
10.2	Form of Securities Purchase Agreement relating to March 2021 private placement (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 1, 2021)
10.3	Subscription Agreement, dated March 29, 2021, between 1847 Holdings LLC and 1847 Wolo Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 1, 2021)
10.4	Management Services Agreement, dated April 15, 2013, between 1847 Holdings LLC and 1847 Partners LLC (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1/A filed on March 14, 2014)
10.5	Amendment No. 1 to Management Services Agreement, dated September 15, 2013, between 1847 Holdings LLC and 1847 Partners LLC (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 filed on February 7, 2014)

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10.6	Management Services Agreement, dated March 3, 2017, between 1847 Neese Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed March 9, 2017)
10.7	Management Services Agreement, dated April 5, 2019, between 1847 Goedeker Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed April 8, 2019)
10.8	Amendment No. 1 to Management Services Agreement, dated April 21, 2020, between 1847 Goedeker Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.5 to the Post-Effective Amendment No. 1 on Form S-1 filed on September 3, 2020)

10.9	Management Services Agreement, dated May 28, 2020, between 1847 Asien Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed June 3, 2020)
10.10	Management Services Agreement, dated August 21, 2020, by and between 1847 Cabinet Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on October 7, 2020)
10.11	Management Services Agreement, dated August 21, 2020, by and between 1847 Cabinet Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on October 7, 2020)
10.12	Management Services Agreement, dated March 30, 2021, by and between 1847 Wolo Inc. and 1847 Partners LLC (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on April 5, 2021)
10.13	Management Fee Subordination Agreement, dated March 30, 2021, by 1847 Partners LLC and 1847 Wolo Inc. to and for the benefit of Sterling National Bank (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed on April 5, 2021)
10.14	Stock Purchase Agreement, dated March 27, 2020, among 1847 Asien Inc., Asien's Appliance, Inc., Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as Trustees of the Wilhelmsen Family Trust, U/D/T dated May 1, 1992, and 1847 Holdings LLC (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on May 15, 2020)
10.15	Amendment No. 1 to Stock Purchase Agreement, dated May 28, 2020, among 1847 Holdings LLC, 1847 Asien Inc., Asien's Appliance, Inc. and Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed June 3, 2020)
10.16	Securities Purchase Agreement, dated July 29, 2020, between 1847 Asien Inc. and Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed August 4, 2020)
10.17	Stock Purchase Agreement, dated August 27, 2020, among 1847 Cabinet Inc., 1847 Holdings LLC, Kyle's Custom Wood Shop, Inc., and Stephen Mallatt, Jr. and Rita Mallatt (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 2, 2020)
10.18	Addendum to Stock Purchase Agreement, dated as of September 30, 2020, among 1847 Cabinet Inc., Kyle's Custom Wood Shop, Inc., Stephen Mallatt, Jr. and Rita Mallatt, and 1847 Holdings LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on October 7, 2020)
10.19	Stock Purchase Agreement, dated December 22, 2020, by and among 1847 Wolo Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc. and Barbara Solow and Stanley Solow (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 5, 2021)
10.20	Amendment No. 1 to Stock Purchase Agreement, dated March 30, 2021, by and among 1847 Wolo Inc., Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc. and Barbara Solow and Stanley Solow (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 5, 2021)
10.21	10% Short Term Promissory Note issued by 1847 Neese Inc. and Neese, Inc. to Alan Neese and Katherine Neese on March 3, 2017 (incorporated by reference to Exhibit 10.3 to the current report on Form 8-K filed March 9, 2017)
10.22	Business Loan Agreement, dated June 13, 2018, between Neese, Inc. and Home State Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K/A filed on July 12, 2018)
10.23	Promissory Note issued by Neese, Inc. in favor of Home State Bank on dated June 13, 2018 (incorporated by reference to Exhibit 10.2 to the Form 8-K/A filed on July 12, 2018)
10.24	Commercial Security Agreement, dated June 13, 2018, between Neese, Inc. and Home State Bank (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K/A filed on July 12, 2018)
10.25	Change in Terms Agreement, dated July 30, 2020, between Neese, Inc. and Home State Bank (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on August 5, 2020)
10.26	8% Subordinated Amortizing Promissory Note issued by 1847 Asien Inc. to Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992, on May 28, 2020 (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed June 3, 2020)

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10.27	Demand Promissory Note issued by 1847 Asien Inc. to Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992, on May 28, 2020 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed June 3, 2020)
10.28	Agreement of Sale of Future Receipts, dated May 28, 2020, between 1847 Asien Inc., Asien's Appliance, Inc. and TVT Direct Funding LLC (incorporated by reference to Exhibit 10.6 to the Current Report on Form 8-K filed June 3, 2020)

10.29	Promissory Note and Security Agreement, dated July 10, 2020, by Asien's Appliance, Inc. in favor of Arvest Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed July 21, 2020)
10.30	6% Amortizing Promissory Note issued by 1847 Asien Inc. to Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992, on July 29, 2020 (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed August 4, 2020)
10.31	Inventory Financing Agreement, dated September 25, 2020, between Wells Fargo Commercial Distribution Finance, LLC and Asien's Appliance, Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 1, 2020)
10.32	Guaranty, dated September 25, 2020, by 1847 Asien Inc. and 1847 Holdings LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on October 1, 2020)
10.33	8% Vesting Promissory Note, dated September 30, 2020, issued by 1847 Cabinet Inc. to Stephen Mallatt, Jr. and Rita Mallatt (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on October 7, 2020)
10.34	Secured Promissory Note, dated September 30, 2020, issued by 1847 Holdings LLC to 1847 Cabinet Inc. (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on October 7, 2020)
10.35	Amended and Restated Secured Promissory Note, dated December 11, 2020, issued by 1847 Holdings LLC to 1847 Cabinet Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 11, 2020)
10.36	6% Secured Promissory Note, dated March 30, 2021, issued by 1847 Wolo Inc. to Barbara Solow and Stanley Solow (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed on April 5, 2021)
10.37	Subordination and Standby Agreement., dated March 30, 2021, among Sterling National Bank, Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., and 1847 Wolo Inc. (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed on April 5, 2021)
10.38	Credit Agreement, dated March 30, 2021, among Sterling National Bank, Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc. and 1847 Wolo Inc. (incorporated by reference to Exhibit 10.7 to the Current Report on Form 8-K filed on April 5, 2021)
10.39	Revolving Credit Note issued by Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., and 1847 Wolo Inc. to Sterling National Bank on March 30, 2021 (incorporated by reference to Exhibit 10.8 to the Current Report on Form 8-K filed on April 5, 2021)
10.40	Term Note issued by Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., and 1847 Wolo Inc. to Sterling National Bank on March 30, 2021 (incorporated by reference to Exhibit 10.9 to the Current Report on Form 8-K filed on April 5, 2021)
10.41	Security Agreement, dated March 30, 2021, by Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., and 1847 Wolo Inc. to Sterling National Bank (incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed on April 5, 2021)
10.42	Patent and Trademark Security Agreement, dated March 30, 2021, by and between Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., 1847 Wolo Inc. and Sterling National Bank (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed on April 5, 2021)
10.43	Collateral Pledge Agreement, date March 30, 2021 by Wolo Mfg. Corp., Wolo Industrial Horn & Signal, Inc., and 1847 Wolo Inc. in favor of Sterling National Bank (incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K filed on April 5, 2021)
10.44	Grid Promissory Note issued by 1847 Holdings LLC in favor of 1847 Partners LLC on dated January 3, 2018 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed January 4, 2018)
10.45	Amended and Restated Grid Promissory Note, dated December 7, 2020, issued by 1847 Holdings LLC to 1847 Partners LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on December 11, 2020)
10.46	Agreement of Lease, dated March 3, 2017, between K&A Holdings, LLC and Neese, Inc. (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed March 9, 2017)
10.47*	‘ Industrial Lease, dated September 1, 2020, between Kyle's Custom Wood Shop, Inc. and Stephen Mallatt, Jr. and Rita Mallatt
10.48	Employment Agreement, dated January 14, 2021, between 1847 Holdings LLC and Jay Amond (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 21, 2021)

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10.49	Stock Option Agreement, dated May 11, 2020, between 1847 Holdings LLC and Paul A. Froning (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed May 14, 2020)
10.50	Stock Option Agreement, dated May 11, 2020, between 1847 Holdings LLC and Robert D. Barry (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed May 14, 2020)

14.1	Code of Ethics and Business Conduct (incorporated by reference to Exhibit 14.1 to the Annual Report on Form 10-K filed on April 15, 2015)
21.1*	List of Subsidiaries of the registrant
31.1*	Certifications of Principal Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certifications of Principal Financial and Accounting Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certifications of Principal Executive Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certifications of Principal Financial and Accounting Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith

ITEM 16. FORM 10-K SUMMARY.

None.

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of 1847 Holdings LLC:

Opinion on the Financial Statements

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We have audited the accompanying consolidated balance sheets of 1847 Holdings LLC ("the Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, shareholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2020 and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisitions – Refer to Note 10 to the financial statements

Critical Audit Matter Description

During the year ended December 31, 2020, the Company completed two business acquisitions. On May 28, 2020, the Company acquired 100% of the outstanding capital stock of Asien's Appliance, Inc. for an aggregate purchase price of $2,125,000. On September 30, 2020, the Company acquired 100% of the outstanding capital stock of Kyle's Custom Wood Shop, Inc. for an aggregate purchase price of $6,500,000. The Company accounted for these two acquisitions as business combinations. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed at fair value as of the transaction dates. The Company utilized a third-party valuation specialist to assist in determining the fair value of the consideration granted and identifiable intangible assets acquired in each acquisition. We identified the estimation of the fair value of the consideration transferred, assets acquired, and liabilities assumed in these acquisitions as a critical audit matter.

We identified the valuation of the consideration transferred, assets acquired, and liabilities assumed as a critical audit matter because of the significant estimates and assumptions management made to determine the fair value of certain of these assets. This required a high degree of auditor judgment and an increased extent of effort when performing audit procedures to evaluate the reasonableness of valuation methodologies applied and the assumptions used such as forecasted sales growth rates, cash flows, attrition rates, market-based royalty rates, and estimated discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

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How the Critical Audit Matter was Addressed in the Audit

Our audit procedures related to the following:

- We evaluated management's and the valuation specialist's identification of assets acquired and liabilities assumed.
- We obtained management's purchase price allocation detailing fair values assigned to acquired tangible and intangible assets.
- We obtained valuation report prepared by valuation specialist engaged by management to assist in the purchase price allocation, including determination of fair values assigned to acquired intangible assets, and examined valuation methods used and qualifications of specialist.
- We examined the completeness and accuracy of the underlying data supporting the significant assumptions and estimates used in the valuation report, including historical and projected financial information.
- We evaluated the accuracy and completeness of the financial statement presentation and disclosure of the acquisitions.

In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in the evaluations of the valuation methodologies deployed and the reasonableness of the significant assumptions used.

Accounting for Issuance of Preferred Stock – Refer to Note 17 to the financial statements

Critical Audit Matter Description

During the year ended December 31, 2020, the Company sold 2,632,278 preferred stock units at $1.90 per share for total proceeds of $5,001,324. Each Unit consisted of one share of Senior Series A Preferred Stock and one warrant to purchase one share of Common Share. The accounting for the transaction required management to assess as to whether: (1) any embedded features required bifurcation and separate valuation related to the preferred stock instrument; (2) the preferred stock instrument qualifies for permanent equity presentation; and (3) whether the warrants meet equity classification requirements. Additionally, the transaction required management to perform an analysis on the embedded conversion features to discern whether such conversion features were beneficial conversion features requiring separate classification within equity in the consolidated financial statements. During the year ended December 31, 2020, the Company recognized a total of approximately $2,874,478 related to the determined beneficial conversion features.

How the Critical Audit Matter was Addressed in the Audit

Auditing management's determination of the accounting for these transactions was challenging due to the complexity and significant judgement involved in assessing the embedded features of the convertible notes for separate accounting, and assessing the determination of whether the conversion feature should be accounted for as a beneficial conversion feature within equity in the consolidated financial statements.

Our audit procedures consisted of the following, among others:

- We inspected and reviewed the designation document for the establishment of the Series A Senior Convertible Preferred Stock and the documents related to the issuance of the instrument to the investors.
- We evaluated the reasonableness of the conclusions made by the Company related to the accounting treatment for embedded conversion feature and classification and presentation of the instrument as a whole in the consolidated balance sheet, including the Company's consideration of relevant accounting standards.
- We obtained preferred stock issuance valuation report prepared by valuation specialist engaged by management and evaluated the reasonableness of the valuation methodology and related assumptions used and qualifications of specialist.
- We tested the value of the recognized beneficial conversion features by assessing the reasonableness of the assumptions and inputs used in the calculation including recalculating such amounts.

Professionals with specialized skill and knowledge were utilized by the Firm to assist in the evaluation of the Company's accounting for the issuance of the Series A Senior Convertible Preferred Stock.

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Spin-off of 1847 Goedeker Inc. – Refer to Note 21 to the financial statements

On October 23, 2020, the Company spun off its majority-owned subsidiary, 1847 Goedeker Inc. on a pro rata basis to the common shareholders of the company, subject to a profit allocation interest. The execution of the spin off triggered a required profit allocation payment to the holders of the Company's Allocation Shares (the Company's Manager) in accordance with the Company's operating agreement. The payment was in the form of a distribution of 1847 Goedeker Inc. shares.

How the Critical Audit Matter was Addressed in the Audit

We determined the evaluation of the accounting for the spin-off of 1847 Goedeker Inc. and the determination and valuation of the related manager profit allocation to be a critical audit matter due to the complexity of the transaction and the complexity involved in the Company's determination of the appropriate accounting treatment. Auditing the accounting for the spin-off and related profit distribution involved a high degree of auditor judgement and specialized skills and knowledge were needed.

Our audit procedures consisted of the following, among others:

- We tested the accounting for the spin off, including assessing whether the spin off was pro rata in nature and accounted for in accordance with applicable accounting guidance.
- We obtained and reviewed the Second Amended and Restated Operating Agreement which outlines the terms for determination of the profit interest allocation and the related calculation to evaluate whether the Company's accounting was consistent with such requirements and applicable accounting standards
- We evaluating the reasonableness of the conclusions made by the Company related to the accounting treatment for the distribution event including the presentation of transaction as a whole in the consolidated balance sheet, the statement of shareholders' equity, and the footnotes to the consolidated financial statements.

Going Concern

Critical Audit Matter Description

As described further in Note 3 to the financial statements, the Company has incurred losses since inception, has negative cash flows from operations, and has an accumulated deficit. Accordingly, the Company has determined that these factors raise substantial doubt about its ability to continue as a going concern. However, management believes, based on the Company's operating plan, that current working capital and current and expected additional financing is sufficient to fund operations and satisfy the Company's obligations as they come due for at least one year from the financial statement issuance date.

We determined the Company's ability to continue as a going concern is a critical audit matter due to the estimation and uncertainty regarding the Company's future cash flows, available capital and the risk of bias in management's judgments and assumptions in their determination.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the following:

- We performed testing procedures such as analytical procedures to identify conditions and events that indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.
- We reviewed and evaluated management's plans for dealing with adverse effect of these conditions and events.
- We inquired of Company management and reviewed company records to assess whether there are additional factors that contribute to the uncertainties disclosed.

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- We assessed whether the Company's determination that risk that there is substantial doubt about its ability to continue as a going concern was alleviated by management's plans was adequately disclosed.

/s/ Sadler, Gibb & Associates, LLC

We have served as the Company's auditor since 2017.
Draper, UT
April 15, 2021

1847 HOLDINGS LLC
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	$ 1,393,368	$ 174,290
Restricted cash	403,811	-
Accounts receivable, net	859,720	591,369
Inventories, net	2,327,833	235,342
Contract assets	70,230	-
Prepaid expenses and other current assets	819,568	230,690
Discontinued operations – current assets	-	4,494,402
TOTAL CURRENT ASSETS	5,874,530	5,726,093
Investments	276,270	-
Property and equipment, net	2,324,347	3,181,821
Operating lease right of use assets	859,034	565,080
Goodwill	6,011,984	22,166
Intangible assets, net	3,893,400	14,733
Deferred tax asset	-	-
Other assets	375	375
Discontinued operations – long-term assets	-	9,784,524
TOTAL ASSETS	$ 19,239,940	$ 19,294,792
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 3,043,412	$ 1,552,410
Floor plan payable	-	10,581
Current portion of operating lease liability	134,527	63,253
Advances, related party	190,192	43,833
Line of credit	301,081	-
Due to seller	33,630	-
Note payable – related party	56,900	119,400
Notes payable – current portion	875,728	3,299,364
Contract liabilities	77,403	-
Customer deposits	3,370,957	-
Current portion of financing lease liability	-	358,584
Discontinued operations – current liabilities	-	11,215,928
TOTAL CURRENT LIABILITIES	8,083,830	16,663,353
Operating lease liability – long term, net of current portion	725,284	501,827
Notes payable – long term, net of current portion	5,824,686	1,025,000

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Deferred tax liability	-	62,800
Accrued expenses – long term, related party	1,359,990	905,780
Financing lease liability, net of current portion	-	275,874
Discontinued operations – long-term liabilities	-	3,858,952
TOTAL LIABILITIES	$ 15,993,790	$ 23,293,586
1847 HOLDINGS SHAREHOLDERS’ EQUITY (DEFICIT)		
Allocation shares, 1,000 shares issued and outstanding	1,000	1,000
Series A convertible preferred stock, 3,157,895 authorized, 2,632,278 outstanding as of December 31, 2020	2,971,427	-
Distribution receivable	(2,000,000)	-
Common Shares, 500,000,000 shares authorized, 4,444,013 and 3,165,625 shares issued and outstanding as of December 31, 2020 and 2019, respectively	4,444	3,165
Additional paid-in capital	17,005,491	442,014
Accumulated deficit	(13,856,973)	(4,402,043)
TOTAL 1847 HOLDINGS SHAREHOLDERS’ EQUITY (DEFICIT)	4,125,389	(3,955,864)
NON-CONTROLLING INTERESTS	(879,239)	(42,930)
TOTAL SHAREHOLDERS’ EQUITY (DEFICIT)	3,246,150	(3,998,794)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY (DEFICIT)	$ 19,239,940	$ 19,294,792

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2020	**2019**
REVENUES		
Services	$ 3,379,655	$ 4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Construction	1,120,224	-
Furniture and appliances revenue	7,625,222	-
TOTAL REVENUE	15,448,045	6,380,025
OPERATING EXPENSES		
Cost of sales	9,406,228	1,830,067
Personnel costs	2,553,589	2,228,194
Depreciation and amortization	1,447,077	1,352,874
Fuel	378,115	718,495
General and administrative	4,185,442	1,569,149
TOTAL OPERATING EXPENSES	17,970,451	7,698,779
NET LOSS FROM OPERATIONS	(2,522,406)	(1,318,754)
OTHER INCOME (EXPENSE)		
Financing costs	(205,075)	(32,400)
Loss on extinguishment of debt	(382,681)	-
Interest expense	(460,559)	(523,780)
Other income (expense)	(24,271)	
Gain on sale of property and equipment	130,749	57,603
TOTAL OTHER INCOME (EXPENSE)	(941,837)	(498,577)
NET LOSS BEFORE INCOME TAXES	(3,464,243)	(1,817,331)
INCOME TAX BENEFIT	(431,631)	(504,060)

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NET LOSS FROM CONTINUING OPERATIONS	$ (3,032,612)	$ (1,313,271)
NET LOSS FROM DISCONTINUED OPERATIONS		
Loss from discontinued operations before income taxes	(10,964,688)	(2,766,453)
Less provision for income taxes for discontinued operations	(698,303)	698,303
Net loss from discontinued operations	(11,662,991)	(2,068,150)
Less net income from discontinued operations attributable to noncontrolling interests	4,491,220	620,445
Net loss from discontinued operations attributable to 1847 Holdings common shareholders	(7,171,771)	(1,447,705)
NET LOSS	(10,204,383)	(2,760,976)
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(595,731)	(514,019)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (9,608,652)	$ (2,246,957)
DEEMED DIVIDEND RELATED TO ISSUANCE OF PREFERRED STOCK	$ 3,051,478	$ -
DISTRIBUTION – ALLOCATION SHARES	5,985,000	-
1847 GOEDEKER SPIN-OFF DIVIDEND	283,257	-
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS	$ (18,928,387)	$ (2,246,957)
Net Loss Per Common Share from continuing operations: Basic and diluted	$ (0.82)	$ (0.42)
Net Loss Per Common Share from discontinued operations: Basic and diluted	$ (3.16)	$ (0.66)
Net Loss Per Common Share: Basic and diluted	$ (2.60)	$ (0.71)
Weighted-average number of common shares outstanding: Basic and diluted	3,692,429	3,147,918

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

	Allocation	Preferred Shares		Common Shares		Additional Paid-In	Accumulated	Non-Controlling	Distribution	Shareholders'
	Shares	Shares	Amount	Shares	Amount	Capital	Deficit	Interest	receivable	Deficit
BALANCE – January 1, 2019	$ 1,000	-	$ -	3,115,625	$ 3,115	$ 11,891	$ (2,155,084)	$ 112,011		$ (2,027,067)
Non-controlling interest granted in the acquisition of Goedeker								979,523		979,523
Common shares and warrants issued in connection with convertible note payable	-	-	-	50,000	50	430,123	-	-		430,173
Net loss	-	-	-	-	-	-	(2,246,959)	(1,134,464)		(3,381,423)
BALANCE – December 31, 2019	$ 1,000	-	$ -	3,165,625	$ 3,165	$ 442,014	$ (4,402,043)	$ (42,930)		$ (3,998,794)
Common shares issued in connection with Asien acquisition	-	-	-	415,000	415	1,037,085	-	-		1,037,500
Common shares issued for service	-	-	-	100,000	100	244,900	-	-		245,000
Common shares issued upon partial conversion of	-	-	-	100,000	100	274,900	-	-		275,000

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convertible note payable										
Warrants issued in connection with convertible note payable	-	-	-	-	-	448,211	-	118,500		566,711
Fair value of stock options	-	-	-	-	-	191,386	-	-		191,386
Common shares issued in connection with Kyle's acquisition	-	-	-	700,000	700	3,674,300	-	-		3,675,000
Issuance of warrants for services	-	-	-	-	-	87,550	-	-		87,550
Common shares issued upon warrant exercise	-	-	-	230,000	230	62,270	-	-		62,500
Common shares issued upon option exercise	-	-	-	77,500	78	149,922	-	-		150,000
Common shares issued upon partial conversion of convertible note payable	-	-	-	50,000	50	99,950	-	-		100,000
Purchase of common shares from seller shares, cancellation of common shares held in treasury and common share dividend to non-controlling interest	-	-	-	(394,112)	(394)	(693,314)	(57,442)	-		(751,150)
Issuance of preferred shares, net of fees	-	2,633,278	2,794,477	-	-	5,001,317	(2,874,478)	-		4,921,316
Goedeker equity	-	-	-	-	-	-	75,821	(359,078)	-	(283,257)
Goedeker profit distribution						5,985,000	(3,985,000)		(2,000,000)	-
Accrued dividends payable		-	176,950	-	-	-	(176,950)	-		-
Net loss	-	-		-	-	-	(2,436,881)	(595,731)		(3,032,612)
BALANCE – December 31, 2020	$ 1,000	2,633,278	$ 2,971,427	4,444,013	$ 4,444	$ 17,005,491	$ (13,856,973)	$ (879,239)	$ (2,000,000)	$ 3,246,150

The accompanying notes are an integral part of these consolidated financial statements

1847 HOLDINGS LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	$ (10,204,383)	$ (2,760,978)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	7,171,771	1,447,705
Gain on sale of property and equipment	(130,748)	(57,603)
Depreciation and amortization	1,447,077	1,352,872
Stock compensation	523,936	-
Loss on extinguishment of debt	382,681	-

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Amortization of financing costs	-	5,458
Amortization of original interest discount	100,511	-
Amortization of operating lease right-of-use assets	79,184	59,077
Changes in operating assets and liabilities:		
Accounts receivable	352,490	(41,801)
Inventory	(635,003)	252,348
Prepaid expenses and other assets	(533,745)	(18,794)
Accounts payable and accrued expenses	949,154	452,432
Other current liabilities	-	-
Operating lease liability	(79,184)	(59,077)
Customer deposits	965,254	-
Deferred taxes and uncertain tax position	(146,800)	(309,800)
Change on contract liabilities	85,761	-
Due to related parties	7,140	7,000
Accrued expense long-term	454,209	453,921
Net cash provided by operating activities from continuing operations	789,305	782,760
Net cash provided by (used in) operating activities from discontinued operations	3,137,175	(2,706,053)
Net cash provided by (used in) operating activities	3,926,480	(1,923,293)
INVESTING ACTIVITIES		
Cash acquired in acquisitions	1,409,936	-
Investment in certificates of deposits	(276,270)	-
Proceeds from the sale of property and equipment	209,500	143,711
Purchase of property and equipment	(159,234)	(188,832)
Net cash provided by investing activities from continuing operations	1,183,932	(45,121)
Net cash provided by (used in) investing activities from discontinued operations	(51,059)	(2,200)
Net cash provided by investing activities	1,132,873	(47,321)
FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(98,519)
Proceeds from notes payable	969,697	27,000
Repayment of notes payable	(1,512,684)	(304,052)
Repayment of floor plan	(10,581)	-
Proceeds (repayment) of grid note	(62,500)	2,400
Net borrowings from lines of credit	301,081	-
Proceeds from exercise of stock options and warrants	212,500	-
Payment to seller	(4,356,162)	-
Proceeds from issuance of preferred shares, net of costs	4,921,315	-
Financing fees	(113,831)	-
Proceeds from vehicle loan	21,968	-
Repayment of financing lease	(721,151)	(524,058)
Net cash used in financing activities from continuing operations	(350,348)	(897,229)
Net cash provided by financing activities from discontinued operations	4,981,959	2,772,723
Net cash provided by (used in) financing activities	4,631,611	1,875,494
NET CHANGE IN CASH AND RESTRICTED CASH – Continuing Operations	1,622,889	(159,590)
NET CHANGE IN CASH AND RESTRICTED CASH – Discontinuing Operations	8,068,075	64,470
CASH AND RESTRICTED CASH AVAILABLE – Discontinuing Operations	(8,068,075)	(64,470)
CASH AND RESTRICTED CASH – Continuing Operations		
Beginning of period	174,290	333,880
End of period	$ 1,797,179	$ 174,290

The accompanying notes are an integral part of these consolidated financial statements

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1847 HOLDINGS LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1—ORGANIZATION AND NATURE OF BUSINESS

1847 Holdings LLC (the "Company") was formed under the laws of the State of Delaware on January 22, 2013. The Company is in the business of acquiring small businesses in a variety of different industries.

On March 3, 2017, the Company's wholly owned subsidiary 1847 Neese Inc., a Delaware corporation ("1847 Neese"), entered into a stock purchase agreement with Neese, Inc., an Iowa corporation ("Neese"), and Alan Neese and Katherine Neese (the "Neese Sellers"), pursuant to which 1847 Neese acquired all of the issued and outstanding capital stock of Neese on March 3, 2017. As a result of this transaction, 1847 Neese owns 55% of 1847 Neese, with the remaining 45% held by the sellers.

On March 27, 2020, the Company and the Company's wholly owned subsidiary 1847 Asien Inc., a Delaware corporation ("1847 Asien"), entered into a stock purchase agreement with Asien's Appliance, Inc., a California corporation ("Asien's"), and Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992 (the "Asien's Seller"), pursuant to which 1847 Asien acquired all of the issued and outstanding stock of Asien's on May 28, 2020 (see Note 10). As a result of this transaction, the Company owns 95% of 1847 Asien, with the remaining 5% held by a third party, and 1847 Asien owns 100% of Asien's.

On August 27, 2020, the Company and the Company's wholly owned subsidiary 1847 Cabinet Inc., a Delaware corporation ("1847 Cabinet"), entered into a stock purchase agreement with Kyle's Custom Wood Shop, Inc., an Idaho corporation ("Kyle's"), and Stephen Mallatt, Jr. and Rita Mallatt (the "Kyle's Sellers"), pursuant to which 1847 Cabinet acquired all of the issued and outstanding stock of Kyle's on September 30, 2020 (see Note 10). As a result of this transaction, the Company owns 92.5% of 1847 Cabinet, with the remaining 7.5% held by a third party, and 1847 Cabinet owns 100% of Kyle's.

On January 10, 2019, the Company established 1847 Goedeker Inc. ("Goedeker") as a wholly owned subsidiary in the State of Delaware in connection with the proposed acquisition of assets from Goedeker Television Co., a Missouri corporation ("Goedeker Television"). On March 20, 2019, the Company established 1847 Goedeker Holdco Inc. ("Holdco") as a wholly owned subsidiary in the State of Delaware and subsequently transferred all of its shares in Goedeker to Holdco, such that Goedeker became a wholly owned subsidiary of Holdco.

On January 18, 2019, Goedeker entered into an asset purchase agreement with Goedeker Television and Steve Goedeker and Mike Goedeker, pursuant to which Goedeker acquired substantially all of the assets of Goedeker Television used in its retail appliance and furniture business on April 5, 2019. As a result of this transaction, the Company owned 70% of Holdco, with the remaining 30% held by third parties, and Holdco owned 100% of Goedeker.

On August 4, 2020, Holdco distributed all of its shares of Goedeker to its stockholders in accordance with their pro rata ownership in Holdco, after which time Holdco was dissolved. Following this transaction, and the closing of Goedeker's initial public offering on August 4, 2020 (the "Goedeker IPO"), the Company owned approximately 54.41% of Goedeker.

On October 23, 2020, the Company distributed all of the shares of Goedeker that it held to its shareholders (the "Goedeker Spin-Off"). As a result of the Goedeker Spin-Off, Goedeker is no longer a subsidiary of the Company.

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, 1847 Neese, Neese, 1847 Asien, Asien's, 1847 Cabinet and Kyle's. All significant intercompany balances and transactions have been eliminated in consolidation.

1847 HOLDINGS LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared without audit in accordance with generally accepted accounting principles in the United States of America ("GAAP") and are presented in US dollars.

The results of Goedeker are included within discontinued operations for the years ended December 31, 2020 and 2019, respectively. The Company retrospectively updated the consolidated financial statements as of and for the years ended December 31, 2020 and 2019, respectively, to reflect this change.

Accounting Basis

The Company uses the accrual basis of accounting and GAAP. The Company has adopted a calendar year end.

Proposed Acquisition

On February 9, 2021, the Company's wholly-owned subsidiary 1847 Hydroponic Inc. ("1847 Hydroponic") entered into a securities purchase agreement with GSH One Enterprises, Inc., a California corporation (d/b/a Bayside Garden Supply), Hone Brothers Retail, LLC, an Oregon limited liability company (d/b/a Endless Summer Garden Supply), and Hone Brothers Retail Tulsa LLC, an Oklahoma limited liability company (d/b/a Endless Summer Garden Supply) (the "Garden Companies") and the sellers named therein, pursuant to which 1847 Hydroponic agreed to acquire all of the issued and outstanding capital stock or other equity securities of the Garden Companies for an aggregate purchase price of $100,000,000, subject to adjustment, consisting of (i) $90,000,000 in cash and (ii) a three-year 8% secured subordinated convertible promissory note in the aggregate principal amount of $10,000,000. The closing of the securities purchase agreement is subject to standard closing conditions and has not yet been completed.

Segment Reporting

The Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. Beginning with the second quarter of 2019, the Company changed its operating and reportable segments from one segment to two segments - the Retail and Appliances Segment, which is operated by Asien's (and was previously operated by Goedeker), and the Land Management Segment, which is operated by Neese. Commencing with the fourth quarter of 2020, the Company added an additional segment - the Construction Segment, which is operated by Kyle's.

The Retail and Appliances Segment is comprised of the business of Asien's, which is based in Santa Rosa, California, and provides a wide variety of appliance services including sales, delivery, installation, service and repair, extended warranties, and financing.

The Land Management Services Segment is comprised of the business of Neese, which is based in Grand Junction, Iowa, and provides professional services for waste disposal and a variety of agricultural services, wholesaling of agricultural equipment and parts, local trucking services, various shop services, and sales of other products and services.

The Construction Segment is comprised of the business of Kyle's, which is based in Boise, Idaho, and provides a wide variety of construction services including custom design and build of kitchen and bathroom cabinetry, delivery, installation, service and repair, extended warranties, and financing.

The Company provides general corporate services to its segments; however, these services are not considered when making operating decisions and assessing segment performance. These services are reported under "Corporate Services" below and these include costs associated with executive management, financing activities and public company compliance.

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Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impact of COVID-19

The impact of COVID-19 on the Company's business has been considered in management's estimates and assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

Reclassifications

Certain Statements of Operations reclassifications have been made in the presentation of the Company's prior financial statements and accompanying notes to conform to the presentation as of and for the year ended December 31, 2020. The Company reclassified certain operating expense accounts in the Consolidated Statement of Operations. The reclassification had no impact on financial position, net income, or shareholder's equity.

Revenue Recognition and Cost of Revenue

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments. The Company's adoption of this ASU resulted in no change to the Company's results of operations or balance sheet.

Retail and Appliances Segment

Asien's collects 100% of the payment for special-order models including tax and 50% of the payment for non-special orders from the customer at the time the order is placed. Asien's does not incur incremental costs obtaining purchase orders from customers, however, if Asien's did, because all Asien's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

Performance Obligations – The revenue that Asien's recognizes arises from orders it receives from customers. Asien's performance obligations under the customer orders correspond to each sale of merchandise that it makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the merchandise sale to be completed. Control of the delivery transfers to customers when the customer can direct the use of, and obtain substantially all the benefits from, Asien's products, which generally occurs when the customer assumes the risk of loss. The transfer of control generally occurs at the point of pickup, shipment, or installation. Once this occurs, Asien's has satisfied its performance obligation and Asien's recognizes revenue.

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Transaction Price – Asien's agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon sales price. In Asien's contracts with customers, it allocates the entire transaction price to the sales price, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax that Asien's collects concurrently with revenue-producing activities are excluded from revenue.

Cost of revenue includes the cost of purchased merchandise plus freight and any applicable delivery charges from the vendor to Asien's. Substantially all Asien's sales are to individual retail consumers (homeowners), builders and designers. The large majority of customers are homeowners and their contractors, with the homeowner being key in the final decisions. Asien's has a diverse customer base with no one client accounting for more than 5% of total revenue.

Disaggregated revenue for the Retail and Appliances Segment by sales type for the period from May 29, 2020 (date of acquisition) to December 31, 2020 is as follows:

	Period May 29, 2020 to December 31, 2020
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenue	$ 7,625,222

Land Management Segment

Neese's payment terms are due on demand from acceptance of delivery. Neese does not incur incremental costs obtaining purchase orders from customers, however, if Neese did, because all of Neese's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

The revenue that Neese recognizes arises from orders it receives from customers. Neese's performance obligations under the customer orders correspond to each service delivery or sale of equipment that Neese makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the service or equipment sale to be completed. Control of the delivery transfers to customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, Neese's products, which generally occurs at the later of when the customer obtains title to the equipment or when the customer assumes risk of loss. The transfer of control generally occurs at a point of delivery. Once this occurs, Neese has satisfied its performance obligation and Neese recognizes revenue.

Neese also sells equipment by posting it on auction sites specializing in farm equipment. Neese posts the equipment for sale on a "magazine" site for several weeks before the auction. When Neese decides to sell, it moves the equipment to the auction site. The auctions are one day. If Neese accepts a bid, the customer pays the bid price and arranges for pick-up of the equipment.

Transaction Price – Neese agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon service fee. In Neese's contracts with customers, it allocates the entire transaction price to the service fee to the customer, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax, value added tax, and other tax Neese collects concurrently with revenue-producing activities are excluded from revenue.

If Neese continued to apply legacy revenue recognition guidance for year ended December 31, 2020, revenues, gross margin, and net loss would not have changed.

Substantially all of Neese's sales are to businesses, including farmers or municipalities and very little to individuals.

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Disaggregated Revenue – Neese disaggregates revenue from contracts with customers by contract type, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Neese's disaggregated revenue by sales type for the years ended December 31, 2020 and 2019 is as follows:

	Year Ended December 31,	
	2020	**2019**
Revenues		
Trucking	$ 923,398	$ 1,579,660
Waste hauling and pumping	1,588,010	1,901,314
Repairs	464,475	377,004
Other	403,772	343,436
Total services	3,379,655	4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenue	$ 6,702,599	$ 6,380,025

Performance Obligations – Performance obligations for the different types of services are discussed below:

- *Trucking* – Revenues for time and material contracts are recognized when the merchandise or commodity is delivered to the destination specified in the agreement with the customer.

- *Waste Hauling and pumping* – Revenues for waste hauling and pumping is recognized when the hauling, pumping, and spreading are complete.

- *Repairs* – Revenues for repairs are recognized upon completion of equipment serviced.

- *Sales of parts and equipment* – Revenues for the sale of parts and equipment are recognized upon the transfer and acceptance by the customer.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration. Unbilled receivables of $38,000 and $121,989 are included in this balance at December 31, 2020 and 2019, respectively. The payment of consideration related to these unbilled receivables is subject only to the passage of time.

Neese reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value. The estimates are based on an analysis of past due receivables, historical bad debt trends, current economic conditions, and customer specific information. After Neese has exhausted all collection efforts, the outstanding receivable balance relating to services provided is written off against the allowance. Additions to the provision for bad debt are charged to expense.

Neese determined that an allowance for loss of $14,614 and $29,001 was required at December 31, 2020 and 2019, respectively.

<u>*Construction Segment*</u>

Kyle's generates revenues from providing cabinet design, construction and installation primary from cabinet-related products and supplies.

Kyle's provides cabinet design, construction and installation services to customers with both residential and commercial projects. A majority of Kyle's contracts are recurring work from a builder team. Kyle's will provide pricing and work with individual homeowners, designers and builders to determine pricing options and upgrades to the base proposed contact pricing.

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1847 HOLDINGS LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Performance Obligations - For substantially all landscaping construction contracts, the Company recognizes revenue over time, as performance obligations are satisfied, on a percentage completion basis on a total project cost basis. Typical contacts will last approximately 4-6 weeks from start to the substantial completion of the project.

Significant Judgments and Estimates - For cabinet construction contracts, measuring the percent completion on an individual project requires estimates obtained by discussions with field personnel. Estimates are also used in determining the total estimated total costs of a project. These estimates and assumptions are the best information management has at the time percent complete is calculated. The Company employs the same estimation methodology on a quarterly basis.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration.

	Period October 1 to December 31, 2020
Construction sales	$ 1,120,224
Other sales	-
Total revenue	$ 1,120,224

Receivables

Receivables consist of credit card transactions in the process of settlement. Vendor rebates receivable represent amounts due from manufactures from whom the Company purchases products. Rebates receivable are stated at the amount that management expects to collect from manufacturers, net of accounts payable amounts due the vendor. Rebates are calculated on product and model sales programs from specific vendors. The rebates are paid at intermittent periods either in cash or through issuance of vendor credit memos, which can be applied against vendor accounts payable. Based on the Company's assessment of the credit history with its manufacturers, it has concluded that there should be no allowance for uncollectible accounts. The Company historically collects substantially all of its outstanding rebates receivables. Uncollectible balances are expensed in the period it is determined to be uncollectible.

Allowance for Credit Losses

Provisions for credit losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for future losses on the Company's accounts receivable. The Company charges credit losses against the allowance and credits subsequent recoveries, if any, to the allowance. Historical loss experience and contractual delinquency of accounts receivables, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance for credit losses consists of general and specific components. The general component of the allowance estimates credit losses for groups of accounts receivable on a collective basis and relates to probable incurred losses of unimpaired accounts receivables. The Company records a general allowance for credit losses that includes forecasted future credit losses.

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Inventory

For Asien's, inventory mainly consists of appliances that are acquired for resale and is valued at the average cost determined on a specific item basis. Inventory also consists of parts that are used in service and repairs and may or may not be charged to the customer depending on warranty and contractual relationship. For Neese, inventory consists of finished products acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis. Kyle's typically orders inventory on a job by job basis and those jobs are put into production within hours of being received. The inventory in production is accounted for in the contact assets and liabilities and follows the percentage completion methodology. Inventories consisting of materials and supplies are stated at lower of costs or market. The Company periodically evaluates the value of items in inventory and provides write-downs to inventory based on its estimate of market conditions. The Company estimated an obsolescence allowance of $181,370 and $26,546 at December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation of furniture, vehicles and equipment is calculated using the straight-line method over the estimated useful lives as follows:

	Useful Life (Years)
Building and Improvements	4
Machinery and Equipment	3-7
Tractors	3-7
Trucks and Vehicles	3-6

Goodwill and Intangible Assets

In applying the acquisition method of accounting, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Identifiable intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment within one year of acquisitions or annually as of December 1, and whenever indicators of impairment exist. The fair value of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

Acquired identifiable intangible assets are amortized over the following periods:

Acquired intangible Asset	Amortization Basis	Expected Life (years)
Customer-Related	Straight-line basis	5-15
Marketing-Related	Straight-line basis	5

Long-Lived Assets

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The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, certificates of deposit and amounts due to shareholders. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy is as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market date.

The Company's held to maturity securities are comprised of certificates of deposit.

Derivative Instrument Liability

The Company accounts for derivative instruments in accordance with ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts, and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued and are recognized over the employees required service period, which is generally the vesting period.

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Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. As the Company had a net loss for the year ended December 31, 2020, the following 2,632,278 potentially dilutive securities were excluded from diluted loss per share: 2,632,278 for outstanding warrants. As the Company had a net loss for the year ended December 31, 2019, the following 895,565 potentially dilutive securities were excluded from diluted loss per share: 200,000 for outstanding warrants and 695,565 related to the convertible note payable and accrued interest.

Leases

The Company adopted ASC Topic 842, *Leases*, on January 1, 2019.

The new leasing standard requires recognition of leases on the consolidated balance sheets as right-of-use ("ROU") assets and lease liabilities. ROU assets represent the Company's right to use underlying assets for the lease terms and lease liabilities represent the Company's obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company's leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. A number of the lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the period when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

Going Concern Assessment

Management assesses going concern uncertainty in the Company's consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the consolidated financial statements are issued or available to be issued, which is referred to as the "look-forward period", as defined in GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management will consider various scenarios, forecasts, projections, estimates and will make certain key assumptions, including the timing and nature of projected cash expenditures or programs, its ability to delay or curtail expenditures or programs and its ability to raise additional capital, if necessary, among other factors. Based on this assessment, as necessary or applicable, management makes certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent it deems probable those implementations can be achieved and management has the proper authority to execute them within the look-forward period.

The Company has generated losses since its inception and has relied on cash on hand, sales of securities, external bank lines of credit, issuance of third party and related party debt and the sale of a note to support cashflow from operations. For the year ended December 31, 2020, the Company incurred operating losses of $3,032,612 (before deducting losses attributable to non-controlling interests and excluding the loss of discontinued operations), cash flows from operations of $789,306 (excluding the cashflow from discontinued

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operations) and negative working capital of $1,933,026 (excluding the negative working capital from discontinued operations). In addition to the estimates of funds available from operations, the Company has unpledged assets that it believes could provide for approximately $914,000 of additional borrowings.

Management has prepared estimates of operations for fiscal year 2021 and believes that sufficient funds will be generated from operations to fund its operations, and to service its debt obligations for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern.

The impact of COVID-19 on the Company's business has been considered in these assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

The accompanying consolidated financial statements have been prepared on a going concern basis under which the Company is expected to be able to realize its assets and satisfy its liabilities in the normal course of business.

Management believes that based on relevant conditions and events that are known and reasonably knowable that its forecasts, for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern. The Company has contingency plans to reduce or defer expenses and cash outlays should operations not improve in the look forward period.

Recent Accounting Pronouncements

Not Yet Adopted

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment.* To simplify the subsequent measurement of goodwill, the update requires only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value. A qualitative assessment may still be completed first for an entity to determine if a quantitative impairment test is necessary. The update is effective for fiscal year 2021 and is to be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company will test goodwill for impairment within one year of the acquisition or annually as of December 1, and whenever indicators of impairment exist.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2019. This pronouncement was amended under ASU 2019-10 to allow an extension on the adoption date for entities that qualify as a small reporting company. The Company has elected this extension and the effective date for the Company to adopt this standard will be for fiscal years beginning after December 15, 2022. The Company has not completed its assessment of the standard, but does not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

NOTE 3—BUSINESS SEGMENTS

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Summarized financial information concerning the Company's reportable segments is presented below:

	Year Ended December 31, 2020				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 3,379,655	$ -	$ -	$ 3,379,655
Sales of parts and equipment	-	3,322,944		-	3,322,944
Furniture and appliances revenue	7,625,222				7,625,222
Construction	-	-	1,120,224	-	1,120,224
Total Revenue	7,625,222	6,702,599	1,120,224	-	15,448,045
Total cost of sales	5,866,414	2,874,792	665,022	-	9,406,228
Total operating expenses	1,986,775	5,000,313	681,040	896,095	8,564,223
Loss from operations	$ (227,967)	$ (1,172,506)	$ (225,838)	$ (896,095)	$ (2,522,406)

	Year Ended December 31, 2019				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 4,201,414	$ -	$ -	$ 4,201,414
Sales of parts and equipment	-	2,178,611	-	-	2,178,611
Furniture and appliances revenue	-	-	-	-	-
Total Revenue	-	6,380,025	-	-	6,380,025
Total cost of sales	-	1,830,067	-	-	1,830,067
Total operating expenses	-	5,707,272	-	161,441	5,868,713
Loss from operations	$ -	$ (1,157,314)	$ -	$ (161,441)	$ (1,318,755)

NOTE 4—CASH EQUIVALENTS AND INVESTMENTS

	December 31, 2020	December 31, 2019
Cash and cash equivalents		
Operating accounts	$ 1,393,369	$ 174,290
Restricted accounts	403,811	-
Subtotal	$ 1,797,180	$ 174,290
Held to Maturity Investments		
Restricted accounts - certificates of deposit (4 – 24 month maturities, FDIC insured)	$ 276,270	$ -
Subtotal	$ 276,270	$ -
TOTAL	$ 2,073,450	$ 174,290

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NOTE 5—DISCONTINUED OPERATIONS

ASC 360-10-45-9 requires that a long-lived asset (disposal group) to be sold shall be classified as held for sale in the period in which a set of criteria have been met, including criteria that the sale of the asset (disposal group) is probable and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. This criteria was achieved on September 10, 2020, when the board approved the Goedeker Spin-Off and subsequently on October 23, 2020, when the Company completed the Goedeker Spin-Off. Additionally, the discontinued operations are comprised of the entirety of the business of Goedeker. Lastly, for comparability purposes certain prior period line items relating to the assets held for sale have been reclassified and presented as discontinued operations for all periods presented in the accompanying consolidated statements of operations, consolidated statements of cash flows, and the consolidated balance sheets.

In accordance with ASC 205-20-S99, "Allocation of Interest to Discontinued Operations", the Company elected to not allocate consolidated interest expense to discontinued operations where the debt is not directly attributable to or related to discontinued operations.

The following information presents the major classes of line item of assets and liabilities included as part of discontinued operations in the consolidated balance sheet as of December 31, 2019. There was no balance sheet upon the completion of the Goedeker Spin-off.

	December 31, 2019
Current Assets – discontinued operations:	
Cash	$ 64,470
Accounts receivable, net	1,862,086
Vendor deposits	294,960
Inventories, net	1,380,090
Prepaid expenses and other current assets	892,796
Total current assets – discontinued operations	$ 4,494,402
Noncurrent Assets – discontinued operations:	
Property and equipment, net	185,606
Operating lease right of use assets	2,000,755
Goodwill	4,976,016
Intangible assets, net	1,878,844
Deferred tax asset	698,303
Other assets	45,000
Total noncurrent assets	$ 9,784,524
Current liabilities – discontinued operations:	
Accounts payable and accrued expenses	$ 2,465,220
Current portion of operating lease liability	422,520
Advances, related party	137,500
Lines of credit	1,250,930
Notes payable – current portion	2,068,175
Warrant liability	122,344
Convertible promissory note – current portion	584,943
Customer deposits	4,164,296
Total current liabilities – discontinued operations	$ 11,215,928
Long term liabilities – discontinued operations:	
Operating lease liability – long term, net of current portion	1,578,235
Notes payable – long term, net of current portion	2,231,469
Contingent note payable	49,248
Total long term liabilities – discontinued operations	$ 3,858,952

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1847 HOLDINGS LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

The following information presents the major classes of line items constituting the after-tax loss from discontinued operations in the consolidated statements of operations for the period from January 1, 2020 through October 23, 2020 and the year ended December 31, 2019:

	Period from January 1, 2020 through October 23, 2020	Period from April 6, 2019 through December 31, 2019
REVENUES		
Furniture and appliances revenue	$ 42,715,266	$ 34,668,113
TOTAL REVENUE		
OPERATING EXPENSES		
Cost of sales	35,613,453	28,596,127
Personnel costs	4,715,687	2,909,752
Depreciation and amortization	276,914	271,036
General and administrative	7,022,720	4,608,434
TOTAL OPERATING EXPENSES	47,628,774	7,789,221
NET LOSS FROM OPERATIONS	(4,919,059)	(1,717,238)
OTHER INCOME (EXPENSE)		
Financing costs	(757,646)	(520,160)
Loss on extinguishment of debt	(1,756,095)	-
Interest expense, net	(604,909)	(683,211)
Loss on acquisition receivable	(809,000)	-
Change in warrant liability	(2,127,656)	106,900
Interest income	9,674	-
Other income (expense)	-	15,010
TOTAL OTHER INCOME (EXPENSE)	(6,045,632)	(1,049,215)
NET LOSS BEFORE INCOME TAXES	(10,964,691)	(2,766,453)
INCOME TAX BENEFIT	(698,303)	(698,303)
NET LOSS BEFORE NON-CONTROLLING INTERESTS	(11,662,984)	(2,068,150)
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4,491,222)	(620,445)
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS	$ (7,172,772)	$ (1,447,705)

The following information presents the major classes of line items constituting significant operating, investing and financing cash flow activities in the unaudited consolidated statements of cash flows relating to discontinued operations:

	Period from	Period from April 6,

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	January 1, 2020 through October 23, 2020	2019 through December 31, 2019
Cash flows from operating activities of discontinued operations:		
Net loss	$(11,662,994)	$ (2,068,152)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities of discontinued operations:		
Depreciation and amortization	276,913	271,036
Stock compensation	281,194	599,814
Amortization of financing costs	842,174	-
Loss on extinguishment of debt	1,955,787	-
Gain on write-down of contingent liability	-	(32,246)
Write-off of acquisition receivable	809,000	-
Change in fair value of warrant liability	2,127,656	(106,900)
Changes in operating assets and liabilities:		
Accounts receivable	(3,585,090)	(1,405,904)
Vendor deposits	(252,688)	(294,960)
Inventory	(2,055,293)	471,161
Prepaid expenses and other assets	(1,106,409)	167,066
Change in operating lease right-of-use assets	-	299,245
Deferred tax asset	698,303	(698,303)
Accounts payable and accrued expenses	381,443	(1,464,657)
Customer deposits	14,427,180	1,855,990
Operating lease liability	-	(299,245)
Net cash provided by (used in) operating activities from discontinued operations	3,137,176	(2,706,053)
Cash flows from investing activities in discontinued operations:		
Purchase of property and equipment	(51,059)	(2,200)
Net cash provided by investing activities in discontinued operations	(51,059)	(2,200)
Cash flows from financing activities in discontinued operations:		
Proceeds from initial public offering	8,602,166	-
Proceeds from notes payable	642,600	1,500,000
Repayment of notes payable	(2,818,098)	(357,207)
Payments on convertible notes payable	-	650,000
Net borrowings (payments) from lines of credit	(1,339,430)	1,339,430
Cash paid for financing costs	(105,279)	(359,500)
Net cash used in financing activities	$ 4,981,959	$ 2,772,723

The following are the financial options of the discontinued operations:

Lines of Credit

Burnley Capital LLC

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On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with Burnley Capital LLC ("Burnley") for revolving loans in an aggregate principal amount that will not exceed the lesser of (i) the borrowing base (as defined in the loan and security agreement) or (ii) $1,500,000 minus reserves established Burnley at any time in accordance with the loan and security agreement. In connection with the closing of the acquisition of Goedeker Television on April 5, 2019, Goedeker borrowed $744,000 under the loan and security agreement and issued a revolving note to Burnley in the principal amount of up to $1,500,000. As of December 31, 2019, the balance of the line of credit was $571,997.

On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the revolving note in full and the loan and security agreement was terminated. The total payoff amount was $118,194, consisting of principal of $32,350, interest of $42 and prepayment, legal, and other fees of $85,802.

Northpoint Commercial Finance LLC

On June 24, 2019, Goedeker, as borrower, entered into a loan and security agreement with Northpoint Commercial Finance LLC, which was amended on August 2, 2019, for revolving loans up to an aggregate maximum loan amount of $1,000,000 for the acquisition, financing or refinancing by Goedeker of inventory at an interest rate of LIBOR plus 7.99%. As of December 31, 2019, the balance of the line of credit was $678,993. Goedeker terminated the loan and security agreement on May 18, 2020 and there is no outstanding balance as of October 23, 2020.

Notes Payable and Warrant Liability

Arvest Loan

On August 25, 2020, Goedeker entered into a promissory note and security agreement with Arvest Bank for a loan in the principal amount of $3,500,000. As of October 23, 2020, the outstanding balance of this loan is $3,340,602, comprised of principal of $3,446,126, net of unamortized loan costs of $103,524.

PPP Loan

On April 8, 2020, Goedeker received a $642,600 PPP loan from the United States Small Business Administration under provisions of the CARES Act. The PPP loan has an 18-month term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loan contains events of default and other provisions customary for a loan of this type. The PPP provides that the loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The balance of the PPP loan was $642,600 as of October 23, 2020 and was classified as a current liability. Goedeker repaid the PPP loan on November 2, 2020.

Small Business Community Capital II, L.P.

On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with Small Business Community Capital II, L.P. ("SBCC") for a term loan in the principal amount of $1,500,000, pursuant to which Goedeker issued to SBCC a term note in the principal amount of up to $1,500,000 and a ten-year warrant to purchase shares of the most senior capital stock of Goedeker equal to 5.0% of the outstanding equity securities of Goedeker on a fully-diluted basis for an aggregate price equal to $100. As of December 31, 2019, the balance of the note was $999,201.

On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the term note in full and the loan and security agreement was terminated. The total payoff amount was $1,122,412 consisting of principal of $1,066,640, interest of $11,773 and prepayment, legal, and other fees of $43,999.

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Goedeker classified the warrant as a derivative liability on the balance sheet at June 30, 2020 of $2,250,000 based on the estimated value of the warrant in the Goedeker IPO. The increase in the value of the warrant from the estimated value of $122,344 at December 31, 2020 resulted in a charge of $2,127,656 during the period January 1, 2020 through October 23, 2020 (date of distribution). Immediately prior to the closing of the Goedeker IPO on August 4, 2020, SBCC converted the warrant into 250,000 shares of common stock.

Notes payable, related parties

A portion of the purchase price for the acquisition of Goedeker Television was paid by the issuance by Goedeker to Steve Goedeker, as representative of Goedeker Television, of a 9% subordinated promissory note in the principal amount of $4,100,000. As of December 31, 2019, the balance of the note was $3,300,444.

Pursuant to a settlement agreement, the parties entered into an amendment and restatement of the note that became effective as of the closing of the Goedeker IPO on August 4, 2020, pursuant to which (i) the principal amount of the existing note was increased by $250,000, (ii) upon the closing of the Goedeker IPO, Goedeker agreed to make all payments of principal and interest due under the note through the date of the closing, and (iii) from and after the closing, the interest rate of the note was increased from 9% to 12%. In accordance with the terms of the amended and restated note, Goedeker used a portion of the proceeds from the Goedeker IPO to pay $1,083,842 of the balance of the note representing a $696,204 reduction in the principal balance and interest accrued through August 4, 2020 of $387,638.

Goedeker refinanced this note payable with proceeds from the loan from Arvest Bank. In connection with the refinance, Goedeker recorded a $757,239 loss on extinguishment of debt consisting of a $250,000 forbearance fee, write-off of unamortized loan discount of $338,873, and write-off of unamortized debt costs of $168,366.

Convertible Promissory Note

On April 5, 2019, the Company, Holdco and Goedeker entered into a securities purchase agreement with Leonite Capital LLC, a Delaware limited liability company, pursuant to which they issued to Leonite Capital LLC a secured convertible promissory note in the aggregate principal amount of $714,286 due April 5, 2020. See Note 13 for further details of the convertible promissory note.

NOTE 6—RECEIVABLES

At December 31, 2020 and 2019, receivables consisted of the following:

	December 31, 2020	December 31, 2019
Credit card payments in process of settlement	$ 158,924	$ -
Trade receivables from customers	715,410	620,370
Total receivables	874,334	620,370
Allowance for doubtful accounts	(14,614)	(29,001)
Accounts receivable, net	$ 859,720	$ 591,369

NOTE 7—INVENTORIES

At December 31, 2020 and 2019, the inventory balances are composed of:

	December 31, 2020	December 31, 2019
Machinery and Equipment	$ 331,935	$ 119,444

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Parts	147,999	142,443
Appliances	2,029,270	-
Subtotal	2,509,204	261,887
Allowance for inventory obsolescence	(181,371)	(26,545)
Inventories, net	$ 2,327,833	$ 235,342

Inventory and accounts receivable are pledged to secure a loan from Home State Bank described below.

NOTE 8—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020 and 2019:

Classification	**December 31, 2020**	**December 31, 2019**
Buildings and improvements	$ 47,939	$ 5,338
Equipment and machinery	3,127,158	3,019,638
Tractors	2,578,296	2,694,888
Trucks and other vehicles	1,363,156	1,138,304
Total	7,116,549	6,858,168
Less: Accumulated depreciation	(4,792,202)	(3,676,347)
Property and equipment, net	$ 2,324,347	$ 3,181,821

Depreciation expense for the years ended December 31, 2020 and 2019 was $1,295,744 and $1,378,952, respectively.

All Neese property and equipment are pledged to secure loans from Home State Bank as described below.

NOTE 9—INTANGIBLE ASSETS

The following provides a breakdown of identifiable intangible assets as of December 31, 2020 and 2019:

	December 31, 2020	**December 31, 2019**
Customer Relationships		
Identifiable intangible assets, gross	$ 3,223,000	$ 34,000
Accumulated amortization	(89,486)	(19,267)
Customer relationship identifiable intangible assets, net	3,133,514	14,733
Marketing Related		
Identifiable intangible assets, gross	841,000	-
Accumulated amortization	(81,114)	-
Marketing related identifiable intangible assets, net	759,886	-
Total Identifiable intangible assets, net	$ 3,893,400	$ 14,733

In connection with the acquisitions of Asien's, Neese and Kyle's, the Company identified intangible assets of $1,009,000, $34,000 and $3,021,000, respectively, representing trade names and customer relationships. These assets are being amortized on a straight-line basis over their weighted average estimated useful life of 9.5 years and amortization expense amounted to $151,333 and $14,733 for the years ended December 31, 2020 and 2019, respectively.

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As of December 31, 2020, the estimated annual amortization expense for each of the next five fiscal years is as follows:

2021	$	397,988
2022		392,321
2023		391,188
2024		391,173
2025		258,169
Thereafter		2,062,561
Total	$	3,893,400

NOTE 10—ACQUISITIONS

Goedeker

On January 18, 2019, Goedeker entered into an asset purchase agreement with Goedeker Television and Steve Goedeker and Mike Goedeker (the "Stockholders"), pursuant to which Goedeker agreed to acquire substantially all of the assets of Goedeker Television used in its retail appliance and furniture business (the "Goedeker Business").

On April 5, 2019, Goedeker, 1847 Goedeker, and the Stockholders entered into an amendment to the asset purchase agreement and closing of the acquisition of substantially all of the assets of Goedeker Television used in the Goedeker Business was completed (the "Goedeker Acquisition").

The aggregate purchase price was $6,200,000 consisting of: (i) $1,500,000 in cash, subject to adjustment; (ii) the issuance of a promissory note in the principal amount of $4,100,000; and (iii) up to $600,000 in earn out payments (as described below). As additional consideration, 1847 Goedeker agreed to issue to each of the Stockholders a number of shares of its common stock equal to a 11.25% non-dilutable interest (22.5% total) in all of the issued and outstanding stock of 1847 Goedeker as of the closing date.

The cash portion was decreased by the amount of outstanding indebtedness of Goedeker Television for borrowed money existing as of the closing. As a result, the cash portion was adjusted to $478,000.

The asset purchase agreement also provided for an adjustment to the purchase price based on the difference between actual working capital at closing and Goedeker Television's preliminary estimate of closing date working capital. In accordance with the asset purchase agreement, an independent CPA firm was retained by Goedeker and Goedeker Television to resolve differences in the working capital amounts. The report issued by that CPA firm determined that Goedeker Television owed Goedeker $809,000, which Goedeker Television has not paid. On or about March 23, 2020, Goedeker submitted a claim for arbitration to the American Arbitration Association relating to Goedeker Television's failure to pay the amount owed. The claim alleges, *inter alia*, breach of contract, fraud, indemnification and the breach of the covenant of good faith and fair dealing. Goedeker is alleging damages in the amount of $809,000, plus attorneys' fees and costs. The $809,000 is included in other assets in the accompanying balance sheet as of December 31, 2019.

On June 1, 2020, Goedeker entered into a settlement agreement with Goedeker Television, Steve Goedeker, Mike Goedeker and 1847 Goedeker. The settlement agreement and the related transaction documents that are exhibits to the settlement agreement were all signed on June 1, 2020 but only became effective upon the closing of the Goedeker IPO. Pursuant to the settlement agreement, the parties entered into an amendment and restatement of the 9% subordinated promissory note described above (see Note 5). In addition, the parties agreed that the arbitration action described above would be settled effective upon the closing of the Goedeker IPO and that each party to such arbitration action would release all claims that it has against the other parties to such action. As part of the settlement of the arbitration action, Goedeker agreed that the sellers will not have to pay the $809,000 working capital adjustment amount resulting in a loss on the acquisition receivable in the year ended December 31, 2020.

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Goedeker Television is also entitled to receive the following earn out payments to the extent the Goedeker Business achieves the applicable EBITDA (as defined in the asset purchase agreement) targets:

1. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the closing date is $2,500,000 or greater;

2. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the first anniversary of closing date is $2,500,000 or greater; and

3. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the second anniversary of the closing date is $2,500,000 or greater.

To the extent the EBITDA of the Goedeker Business for any applicable period is less than $2,500,000 but greater than $1,500,000, Goedeker must pay a partial earn out payment to Goedeker Television in an amount equal to the product determined by multiplying (i) the EBITDA Achievement Percentage by (ii) the applicable earn out payment for such period, where the "Achievement Percentage" is the percentage determined by dividing (A) the amount of (i) the EBITDA of the Goedeker Business for the applicable period less (ii) $1,500,000, by (B) $1,000,000. For avoidance of doubt, no partial earn out payments shall be earned or paid to the extent the EBITDA of the Goedeker Business for any applicable period is equal or less than $1,500,000. For the trailing twelve (12) month period from the closing date, EBITDA for the Goedeker Business was $(2,825,000), so Goedeker Television is not entitled to an earn out payment for that period.

To the extent Goedeker Television is entitled to all or a portion of an earn out payment, the applicable earn out payment(s) (or portion thereof) shall be paid on the date that is three (3) years from the closing date, and shall accrue interest from the date on which it is determined Goedeker Television is entitled to such earn out payment (or portion thereof) at a rate equal to five percent (5%) per annum, computed on the basis of a 360 day year for the actual number of days elapsed.

The Company determined the fair value of the earnout on the date of acquisition was $81,494. Such amount was recorded as a contingent consideration liability within the accounts payable and accrued expense line item on the consolidated balance sheet and is revalued to fair value each reporting period until settled. The year 1 contingent liability of $32,246 was written-off in the year ended December 31, 2019 as the target was not met and the balance of the liability at October 23, 2020 is $49,248.

The provisional fair value of the purchase consideration issued to Goedeker Television was allocated to the net tangible assets acquired. The Company accounted for the Goedeker Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net liabilities assumed was approximately $614,337. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows the analysis for the Goedeker asset purchase:

Purchase consideration at final fair value:	
Note payable, net of $462,102 debt discount and $215,500 of capitalized financing costs	$ 3,422,398
Contingent note payable	81,494
Non-controlling interest	979,523
Amount of consideration	$ 4,483,415
Assets acquired and liabilities assumed at fair value	
Accounts receivable	$ 334,446
Inventories	1,851,251

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Working capital adjustment receivable and other assets	1,104,863
Property and equipment	216,286
Customer related intangibles	749,000
Marketing related intangibles	1,368,000
Accounts payable and accrued expenses	(3,929,876)
Customer deposits	(2,308,307)
Net tangible assets acquired (liabilities assumed)	$ (614,337)

Total net assets acquired (liabilities assumed)	$ (614,337)
Consideration paid	4,483,415
Goodwill	$ 5,097,752

On October 23, 2020, the Company completed a distribution of Goedeker. As a result of this distribution, Goedeker is no longer a majority-owned subsidiary of the Company. The distribution therefore resulted in the disposition of the business and assets of Goedeker (see Note 21).

Asien's

On March 27, 2020, the Company and 1847 Asien entered into a stock purchase agreement with the Asien's Seller, pursuant to which 1847 Asien agreed to acquire all of the issued and outstanding capital stock of Asien's. The Company acquired Asien's, which provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing in the North Bay area of Sonoma County, California, to expand into the appliance industry.

On May 28**,** 2020, the Company, 1847 Asien, Asien's and the Asien's Seller entered into an amendment to the stock purchase agreement and closing of the acquisition of all of the issued and outstanding capital stock of Asien's was completed (the "Asien's Acquisition").

The aggregate purchase price was $2,125,000 consisting of: (i) $233,000 in cash, subject to adjustment; (ii) the issuance of an amortizing promissory note in the principal amount of $200,000; (iii) the issuance of a demand promissory note in the principal amount of $655,000; and (iv) 415,000 common shares of the Company, having a mutually agreed upon value of $830,000 and a fair value of $1,037,500, which may be repurchased by 1847 Asien for a period of one year following the closing at a purchase price of $2.50 per share. The shares were repurchased by 1847 Asien on July 29, 2020.

The fair value of the purchase consideration issued to the Asien's Seller was allocated to the net tangible assets acquired. The Company accounted for the Asien's Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $1,171,272. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows analysis for the Asien's Acquisition:

Purchase Consideration at fair value:	
Common shares	$ 1,037,500
Notes payable	855,000
Due to seller	233,000
Amount of consideration	$ 2,125,500

Assets acquired and liabilities assumed at fair value

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Cash	$ 1,501,285
Accounts receivable	235,746
Inventories	1,457,489
Other current assets	41,427
Deferred tax asset	11,653
Property and equipment	157,052
Customer related intangibles	462,000
Marketing related intangibles	547,000
Accounts payable and accrued expenses	(280,752)
Customer deposits	(2,405,703)
Notes payable	(509,272)
Other liabilities	(23,347)
Net assets acquired	$ 1,182,925

Total net assets acquired	$ 1,171,272
Consideration paid	2,125,500
Goodwill	$ 942,575

The estimated useful life remaining on the property and equipment acquired is 5 to 13 years.

Kyle's

On August 27, 2020, the Company and 1847 Cabinet entered into a stock purchase agreement with Kyle's and the Asien's Seller, pursuant to which 1847 Cabinet agreed to acquire all of issued and outstanding capital stock of Kyle's. The Company acquired Kyle's, a leading custom cabinetry maker servicing contractors and homeowners in Boise, Idaho, to expand into contracting services.

On September 30, 2020, the Company, 1847 Cabinet, Kyle's and the Kyle's Sellers entered into addendum to the stock purchase and closing of the acquisition of all of the issued and outstanding capital stock of Kyle's was completed (the "Kyle's Acquisition")

The aggregate purchase price was $6,650,000, subject to adjustment as described below. The purchase price consists of (i) $4,200,000 in cash, (ii) an 8% contingent subordinated note in the aggregate principal amount of $1,050,000, and (iii) 700,000 common shares of the Company, having a mutually agreed upon value of $1,400,000 and a fair value of $3,675,000. The shares were issued on October 16, 2020, immediately following the record date for the Goedeker Spin-Off described above.

The purchase price is subject to a post-closing working capital adjustment provision based on the difference between actual working capital at closing and the Kyle's Sellers' preliminary estimate of closing date working capital. If the final working capital exceeds the preliminary working capital estimate, 1847 Cabinet must pay to the Kyle's Sellers an amount of cash that is equal to such excess. If the preliminary working capital estimate exceeds the final working capital, the Kyle's Sellers must pay to 1847 Cabinet an amount in cash equal to such excess, provided, however, that the Kyle's Sellers may, at their option, in lieu of paying such excess in cash, deliver and transfer to 1847 Cabinet a number of common shares of the Company that is equal to such excess divided by $2.00.

In addition to the post-closing net working capital adjustment described above, there was a target working capital adjustment, pursuant to which if at the closing the preliminary working capital exceeded a target working capital of $154,000, then the purchase price would be increased at the closing by the amount of such difference. Accordingly, as a result of the target working capital adjustment, the cash portion of the purchase price at the closing was $4,356,162.

The fair value of the purchase consideration issued to the Kyle's Sellers was allocated to the net tangible assets acquired. The Company accounted for the Kyle's Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the

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assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $527,618. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows an analysis for the Kyle's Acquisition:

Purchase Consideration at fair value:	
Common shares	$ 3,675,000
Notes payable	498,979
Due to seller	4,389,792
Amount of consideration	$ 8,563,771
Assets acquired and liabilities assumed at fair value	
Cash	$ 130,000
Accounts receivable	385,095
Costs in excess of billings	122,016
Other current assets	13,707
Property and equipment	200,737
Customer related intangibles	2,727,000
Marketing related intangibles	294,000
Accounts payable and accrued expenses	(263,597)
Billings in excess of costs	(43,428)
Other liabilities	(49,000)
Net tangible assets acquired	$ 3,516,530
Total net assets acquired	$ 3,516,530
Consideration paid	8,563,771
Goodwill	$ 5,047,243

The estimated useful life remaining on the property and equipment acquired is 3 to 7 years.

Proforma

The following unaudited proforma results of operations are presented for information purposes only. The unaudited proforma results of operations are not intended to present actual results that would have been attained had the Asien's Acquisition and Kyle's Acquisition been completed as of January 1, 2019 or to project potential operating results as of any future date or for any future periods. The revenue and net loss before non-controlling interest of Asien's since the May 28, 2020 acquisition date through December 31, 2020 included in the consolidated statement of operations amounted to approximately $7,625,222 and $431,641, respectively. The revenue and net loss before non-controlling interest of Kyle's since the September 30, 2020 acquisition date through December 31, 2020 included in the consolidated statement of operations amounted to approximately $1,120,224 and $380,500, respectively. The unaudited proforma also removes the effect of Goedeker as if it had been disposed of on January 1, 2019.

	Year Ended December 31,	
	2020	**2019**
Revenues, net	$ 24,376,944	$ 23,849,214
Net income (loss)	$ (1,402,208)	$ (230,704)
Basic earnings (loss) per share	$ (0.31)	$ (0.05)

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Diluted earnings (loss) per share	$	(0.31)	$	(0.05)
Basic Number of Shares (a)		4,561,840		4,230,625
Diluted Number of Shares (a)		4,561,840		4,230,625

Note: (a) shares assuming as if issued as of Jan 1.

NOTE 11—NOTES PAYABLE

1847 Neese/Neese

Home State Bank

On June 13, 2018, Neese entered into a term loan agreement with Home State Bank, pursuant to which Neese issued a promissory note to Home State Bank in the principal amount of $3,654,074 with an annual interest rate of 6.85% and with covenants to maintain a minimum debt coverage ratio of 1.00 to 1.25 measured at December 31, 2020. Neese met this covenant for the year ended December 31, 2020. On July 30, 2020, Neese entered into a change in terms agreement with Home State Bank to amend the terms of the term loan. Pursuant to the change in terms agreement: (i) the maturity date was extended to July 30, 2022; (ii) the interest rate was changed to 5.50%; (iii) Neese agreed to pay accrued interest in the amount of $95,970; (iv) Neese agreed to make payments of $30,000 beginning on September 30, 2020 and continuing thereafter on a monthly basis until maturity, at which time a final interest payment is due; (v) Neese agreed to make a payment of $260,000 on December 30, 2020 and December 30, 2021; (vi) Neese agreed to make two new advances under the note in the amounts $51,068 and $517,529 to repay in full Neese's capital lease transactions due to Utica Leaseco LLC described below; (vii) Neese agreed to pay a loan fee of $17,500; and (viii) Home State Bank agreed to make a loan advance to checking for $17,500. The balance of the note amounts to $3,225,321, comprised of principal of $3,239,176, net of unamortized debt discount of $13,855 as of December 31, 2020.

The loan agreement contains customary representations and warranties and events of default. Upon an event of default, the interest rate on the note will be increased by 3 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. The loan is secured by inventory, accounts receivable, and certain fixed assets of Neese. The loan agreement limited the payment of interest on the 10% promissory note described below to $40,000 annually. The Company continues to accrue interest at the contractual amounts. Such accruals (in excess of $40,000 in interest on the promissory note) are shown as long-term accrued expenses in the accompanying balance sheet as of December 31, 2020.

If the Company sells property, plant, and equipment securing the loan, it must remit the appraised value of the equipment to Home State Bank. During the years ended December 31, 2020 and 2019, $0 and $30,500, respectively, was remitted to Home State Bank pursuant to this requirement.

The Company adopted ASU 2015-03 by deducting debt issuance costs from the long-term portion of the loan. Amortization of the Home State Bank debt issuance costs totaled $15,513 and $18,645 for the years ended December 31, 2020 and 2019, respectively.

10% Promissory Note

A portion of the purchase price for the acquisition of Neese was paid by the issuance of a promissory note in the principal amount of $1,025,000 by 1847 Neese and Neese to the Neese Sellers. The note bears interest on the outstanding principal amount at the rate of ten percent (10%) per annum and was due and payable in full on March 3, 2018. The note is unsecured and contains customary events of default. The note has not been repaid, so the Company is in default under this note. Under terms of the term loan with Home State Bank described above, this note may not be paid until the term loan is paid in full. The payees on the note agreed to the modification of its terms by signing the loan agreement for the Home State Bank term loan. Accordingly, the loan is shown as a long-term liability as of December 31, 2020. Additionally, Home State Bank limits the payment of interest on this note to $40,000 annually. The Company

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continues to accrue interest at the contract rate; however, given the limitations of the term loan, all accrued interest in excess of $40,000 is included in long-term accrued expenses.

1847 Asien/Asien's

Arvest Bank

On July 10, 2020, Asien's entered into a promissory note and security agreement with Arvest Bank for a revolving loan for up to $400,000. The loan matures on July 10, 2021 and bears interest at 5.25% per annum, subject to change in accordance with the Variable Rate (as defined in the promissory note and security agreement), the calculation for which is the U.S. Prime Rate plus 2%. Pursuant to the terms of the promissory note and security agreement, Asien's is required to make monthly payments beginning on August 10, 2020 and until the maturity date, at which time all unpaid principal and interest will be due. Asien's may prepay the loan in full or in part at any time without penalty. The promissory note and security agreement contains customary representations, warranties, affirmative and negative covenants and events of default for a loan of this type. The loan is secured by Asien's inventory and equipment, accounts and other rights of payments, and general intangibles, as such terms are defined in the Uniform Commercial Code. The remaining principal balance of the note at December 31, 2020 is $301,081 and it has accrued interest of $995.

8% Subordinated Amortizing Promissory Note

A portion of the purchase price for acquisition of Asien's was paid by the issuance of an 8% subordinated amortizing promissory note in the principal amount of $200,000 by 1847 Asien to the Asien's Seller. Interest on the outstanding principal amount will be payable quarterly at the rate of eight percent (8%) per annum. The outstanding principal amount of the note will amortize on a one-year straight-line basis in accordance with a specified amortization schedule, with all unpaid principal and accrued, but unpaid interest being fully due and payable on May 28, 2021. The note contains customary events of default. The right of the Asien's Seller to receive payments under the note is subordinated to all indebtedness of 1847 Asien to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities. The remaining principal balance of the note at December 31, 2020 is $101,980 and it has accrued interest of $1,095.

6% Amortizing Promissory Note

On July 29, 2020, 1847 Asien entered into a securities purchase agreement with the Asien's Seller, pursuant to which the Asien's Seller sold to 415,000 of the Company's common shares to 1847 Asien a purchase price of $2.50 per share. As consideration, 1847 Asien issued to the Asien's Seller a two-year 6% amortizing promissory note in the aggregate principal amount of $1,037,500. One-half (50%) of the outstanding principal amount of the note ($518,750) and all accrued interest thereon, will be amortized on a two-year straight-line basis and is payable quarterly. The second-half (50%) of the outstanding principal amount of the note ($518,750) with all accrued, but unpaid interest thereon, is due on the second anniversary of the note. The note is unsecured and contains customary events of default. The remaining principal balance of the note at December 31, 2020 is $975,985 and it has accrued interest of $17,894.

Demand Promissory Note

A portion of the purchase price for acquisition of Asien's was paid by the issuance of demand promissory note in the principal amount of $655,000 by 1847 Asien to the Asien's Seller. The note accrued interest at a rate of one percent (1%) computed on the basis of a 360-day year. Principal and accrued interest on the note was payable 24 hours after written demand by the Seller. The note was repaid in June 2020.

Inventory Financing Agreement

On September 25, 2020, Asien's entered into an inventory financing agreement with Wells Fargo Commercial Distribution Finance, LLC ("Wells Fargo"), pursuant to which Wells Fargo may extend credit to Asien's from time to time to enable it to purchase inventory from

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Wells Fargo-approved vendors. The term of the agreement is one year, and from year to year thereafter, unless sooner terminated by either party upon 30 days written notice to the other party. The inventory financing agreement contains customary representations, warranties, affirmative and negative covenants and events of default for a loan of this type. The agreement is secured by all assets of Asien's and is guaranteed by 1847 Asien and the Company. As of December 31, 2020, Asien's has not borrowed any funds under this agreement.

4.5% Unsecured Promissory Note

On October 30, 2017, Asien's entered into a stock repurchase agreement with Paul A. Gwilliam and Terri L. Gwilliam, co-trustees of the Gwilliam Family Trust, pursuant to which Asien's issued an unsecured promissory note in the aggregate principal amount of $540,000 for a term of 5 years. The note bears interest at the rate of the 4.25% per annum. The remaining balance of the note at December 31, 2020 is comprised of principal of $41,675.

Agreement of Sale of Future Receipts

On May 28, 2020, 1847 Asien and Asien's entered into an agreement of sale of future receipts with TVT Direct Funding LLC ("TVT"), pursuant to which 1847 Asien and Asien's agreed to sell future receivables with a value of $685,000 to TVT for a purchase price of $500,000. 1847 Asien and Asien's agreed to deliver to TVT 20% of its weekly future receipts, or approximately $23,300, over the course of an estimated seven-month term, or such date when the above amount of receivables has been delivered to TVT. 1847 Asien used the proceeds from this sale to finance the Asien's Acquisition. In addition to all other sums due to TVT under this agreement, 1847 Asien and Asien's agreed to pay to TVT certain additional fees, including a one-time origination fees of $25,000, as reimbursement of costs incurred by TVT for financial and legal due diligence. The future payments under the TVT agreement are secured by a subordinated security interest in all of the tangible and intangible assets of 1847 Asien and Asien's. This agreement was terminated in 2020 and there is no remaining balance at December 31, 2020.

Loans on Vehicles

Asien's has entered into four retail installment sale contracts pursuant to which Asien's agreed to finance its delivery trucks at rates ranging 3.98% to 6.99% with an aggregate remaining principal amount of $90,375 as of December 31, 2020.

1847 Cabinet/Kyle's

Vesting Promissory Note

A portion of the purchase price for the acquisition of Kyle's on September 30, 2020 was paid by the issuance of a vesting promissory note by 1847 Cabinet to the Kyle's Sellers in the principal amount of $1,050,000, which increased to a principal amount of up to $1,260,000 pursuant to the vested percentage calculation described below. Payment of the principal and accrued interest on the note is subject to vesting as described below. The note bears interest on the vested portion of principal amount at the rate of eight percent (8%) per annum. To the extent vested, the vested portion of the principal and all accrued but unpaid interest on such vested portion of the principal shall be paid in one lump sum on the last day of the thirty-sixth (36th) month following the date of the note.

The vested principal of the note due at the maturity date shall be calculated each year based on the average annual consolidated EBITDA (as defined in the note) of 1847 Cabinet for each of the years ended December 31, 2020, 2021 and 2022. The EBITDA for each year shall be divided by $1.4 million multiplied by 100 to obtain the vested percentage. The vested principal for each year shall be equal to the vested percentage for that year multiplied by $350,000. To the extent that the vested percentage for the subject year is less than 80%, no portion of the note for that year shall vest. To the extent that the vested percentage for the subject year is equal to or greater than 120%, the vested principal shall be equal to $420,000 for that year and no more. For the year ended December 31, 2020, EBITDA of 1847 Cabinet was approximately $1,531,000, resulting in a vested amount of approximately $415,000.

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1847 Cabinet will have the right to redeem all but no less than all of the note at any time prior to the maturity date. If 1847 Cabinet elects to redeem the note, the redemption price will be payable in cash and is equal to the then outstanding vested portion of the principal plus any remaining unvested principal amount plus accrued but unpaid interest thereon (calculated over 36 months). For purposes of this redemption calculation, the "unvested principal amount" shall be $350,000 per year.

The note contains customary events of default. The right of the Kyle's Sellers to receive payments under the note is subordinated to all indebtedness of 1847 Cabinet, whether outstanding as of the closing date or thereafter created, to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities.

Intercompany Secured Promissory Note

In connection with the acquisition of Kyle's, the Company provided 1847 Cabinet with the funds necessary to pay the cash portion of the purchase price and cover acquisition expenses. In connection therewith, on September 30, 2020, 1847 Cabinet issued a secured promissory note to the Company in the principal amount of $4,525,000, which was amended and restated on December 11, 2020. Pursuant to such amendment and restatement, if and to the extent any amounts are owing under the units described under Note 17 below, due to a default or redemption, in addition to payment obligations due under the note, 1847 Cabinet is required to immediately make payments to the Company so that it may make any required payments in compliance with the terms of the units. The note bears interest at the rate of 16% per annum. The interest is cumulative and any unpaid accrued interest will compound on each anniversary date of the note. Interest is due and payable in arrears on January 15, April 15, July 15 and October 15 commencing January 15, 2021. In the event payment of principal or interest due under the note is not made when due, giving effect to any grace period which may be applicable, or in the event of any other default (as defined in the note), the outstanding principal balance shall from the date of default immediately bear interest at the rate of 5% above the then applicable interest rate for so long as such default continues. The Company may demand payment in full of the note at any time, even if 1847 Cabinet has complied with all of the terms of the note; and the note shall be due in full, without demand, upon a third party sale of all or substantially all the assets and business of 1847 Cabinet or a third party sale or other disposition of any capital stock of 1847 Cabinet. 1847 Cabinet may prepay the note at any time without penalty. The note contains customary events of default, is guaranteed by Kyle's and is secured by all of the assets of 1847 Cabinet and Kyle's. The remaining principal balance of the note at December 31, 2020 is $4,525,000 and it has accrued interest of $182,488.

PPP Loans

On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in PPP loans from the SBA under provisions of the CARES Act. The PPP loans have two-year terms and bear interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loans may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loans contain events of default and other provisions customary for loans of this type. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act. The Company has classified $741,100 of the PPP loans as long-term liabilities upon receiving SBA forgiveness of the loans in early 2021.

NOTE 12—FLOOR PLAN LOANS PAYABLE

At December 31, 2020 and 2019, $0 and $10,581, respectively, of machinery and equipment inventory of Neese was pledged to secure a floor plan loan from a commercial lender. Neese must remit proceeds from the sale of the secured inventory to the floor plan lender and pays a finance charge that can vary monthly at the option of the lender. The balance of the floor plan payable was repaid in 2020.

NOTE 13—CONVERTIBLE PROMISSORY NOTE

On April 5, 2019, the Company, Holdco and Goedeker (collectively, "1847") entered into a securities purchase agreement with Leonite Capital LLC, a Delaware limited liability company ("Leonite"), pursuant to which 1847 issued to Leonite a secured convertible

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promissory note in the aggregate principal amount of $714,286 due April 5, 2020. As additional consideration for the purchase of the note, (i) the Company issued to Leonite 50,000 common shares, (ii) the Company issued to Leonite a five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis, and (iii) Holdco issued to Leonite shares of common stock equal to a 7.5% non-dilutable interest in Holdco.

The note carries an original issue discount of $64,286 to cover Leonite's legal fees, accounting fees, due diligence fees and/or other transactional costs incurred in connection with the purchase of the note. Furthermore, the Company issued 50,000 common shares valued at $137,500 and a debt-discount related to the warrants valued at $292,673. The Company amortized $292,673 of financing costs related to the shares and warrants in the year ended December 31, 2020.

On May 11, 2020, 1847 and Leonite entered into a first amendment to secured convertible promissory note, pursuant to which the parties agreed (i) to extend the maturity date of the note to October 5, 2020, (ii) that 1847's failure to repay the note on the original maturity date of April 5, 2020 shall not constitute and event of default under the note and (iii) to increase the principal amount of the note by $207,145, as a forbearance fee.

In connection with the amendment, (i) the Company issued to Leonite another five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis and (ii) upon closing of the Asien's acquisition, 1847 Asien issued to Leonite shares of common stock equal to a 5% interest in 1847 Asien. The amendment represented a prepayment of principal and accrued interest resulting in a debt extinguishment and we recorded an aggregate extinguishment loss of $773,856.

Under the note, Leonite had the right at any time at its option to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the note into fully paid and non-assessable common shares or any shares of capital stock or other securities of the Company into which such common shares may be changed or reclassified.

On May 4, 2020, Leonite converted $100,000 of the outstanding balance of the note into 100,000 common shares.

On July 21, 2020, Leonite converted $50,000 of the outstanding balance of the note into 50,000 common shares.

On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the note in full. The total payoff amount was $780,653, consisting of principal of $771,431 and interest of $9,222.

On September 2, 2020, the Company entered into amendment to the warrant issued to Leonite on April 5, 2019. Pursuant to the amendment, the parties amended the warrant to allow for the conversion of the warrant into 180,000 common shares in exchange for Leonite's surrender of the remaining 20,000 common shares underlying this warrant, as well as all 200,000 common shares underlying the second warrant issued to Leonite on May 11, 2020. On September 2, 2020, Leonite exercised the first warrant in accordance with the foregoing amendment and the Company issued 180,000 common shares to Leonite. As a result of this exercise, both warrants were cancelled.

NOTE 14—FINANCING LEASE

The cash portion of the purchase price for the acquisition of Neese was financed under a capital lease transaction for Neese's equipment with Utica Leaseco, LLC ("Utica"), pursuant to a master lease agreement, dated March 3, 2017, between Utica, as lessor, and 1847 Neese and Neese, as co-lessees (collectively, the "Lessee"), which was amended on June 14, 2017. Under the master lease agreement, as amended, Utica loaned an aggregate of $3,240,000 for certain of Neese's equipment listed therein, which it leases to the Lessee. A portion of the proceeds from the term loan from Home State Bank (see Note 11) were applied to reduce the balance of this lease to $475,000. The lease was payable in 46 payments of $12,882 beginning July 3, 2018 and an end-of-term buyout of $38,000.

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On October 31, 2017, the parties entered into a second equipment schedule to the master lease agreement, pursuant to which Utica loaned an aggregate of $980,000 for certain of Neese's equipment listed therein. The term of the second equipment schedule was 51 months and agreed monthly payments are $25,807.

On July 29, 2020, the Company paid $568,597 to repay this capital lease transaction with Utica in full.

The Company adopted ASU 2015-03 by deducting debt issuance costs from the long-term portion of the loan. Amortization of the Utica debt issuance costs totaled $23,360 and $11,055 for the years ended December 31, 2020 and 2019, respectively.

NOTE 15—OPERATING LEASES

Neese

On March 3, 2017, Neese entered into an agreement of lease with K&A Holdings, LLC, a limited liability company that is wholly owned by officers of Neese. The agreement of lease is for a term of ten (10) years and provides for a base rent of $8,333 per month. In the event of late payment, interest shall accrue on the unpaid amount at the rate of eighteen percent (18%) per annum. The agreement of lease contains customary events of default, including if Neese shall fail to pay rent within five (5) days after the due date, or if Neese shall fail to perform any other terms, covenants or conditions under the agreement of lease, and other customary representations, warranties and covenants. Under terms of the term loan agreement with Home State Bank (Note 11), the Company may not pay salary or rent to such officers of Neese in excess of $100,000 per year beginning on the date of the term loan agreement, June 13, 2018. The Company is accruing monthly rent, but because of the limitation in the term loan, $300,000 of accrued rent is classified as a long-term accrued liability.

The amount accrued for amounts included in the measurement of operating lease liabilities was $100,000 for the year ended December 31, 2020.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020	December 31, 2019
Operating lease right-of-use lease asset	$ 624,157	$ 624,157
Accumulated amortization	(122,330)	(59,077)
Net balance	$ 501,827	$ 565,080
Lease liability, current portion	$ 67,725	$ 63,253
Lease liability, long term	434,102	501,827
Total operating lease liabilities	$ 501,827	$ 565,080
Weighted Average Remaining Lease Term - operating leases	74 months	86 months
Weighted Average Discount Rate - operating leases	6.85%	6.85%

Future minimum lease payments under this operating lease as of December 31, 2020 were as follows:

	For the Years Ended
2021	$ 100,000
2022	100,000

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2023	100,000
2024	100,000
2025	100,000
Thereafter	116,667
Total lease payments	616,667
Less imputed interest	(114,840)
Maturities of lease liabilities	$ 501,827

Neese leased a piece of equipment on an operating lease. The lease originated in May 2014 for a five-year term with annual payments of $11,830 with a final payment in July 2019.

Kyle's

On September 1, 2020, Kyle's entered into an industrial lease agreement with the Kyle's Sellers, who are officers of Kyle's and principle shareholders of the Company. The lease is for a term of five years, with an option for a renewal term of five years, and provides for a base rent of $7,000 per month for the first 12 months, which will increase to $7,210 for months 13-16 and to $7,426 for months 37-60. In addition, Kyle's is responsible for all taxes, insurance and certain operating costs during the lease term. In the event of late payment, interest shall accrue on the unpaid amount at the rate of twelve percent (12%) per annum. The lease agreement contains customary events of default, representations, warranties and covenants.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020
Operating lease right-of-use lease asset	$ 373,916
Accumulated amortization	(15,931)
Net balance	$ 357,985
Lease liability, current portion	66,803
Lease liability, long term	291,182
Total operating lease liabilities	$ 357,985
Weighted Average Remaining Lease Term - operating leases	44 months
Weighted Average Discount Rate - operating leases	5.50%

Future minimum lease payments under this operating lease as of December 31, 2020 were as follows:

	For the Years Ended
2021	$ 84,840
2022	86,520
2023	87,385
2023	89,116
2025	59,410
Total lease payments	407,271
Less imputed interest	(49,286)
Maturities of lease liabilities	$ 357,985

Asien's

Asien's has an office and showroom space that has been leased on a month-by-month basis for $11,665 per month.

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NOTE 16—RELATED PARTIES

Management Services Agreement

On April 15, 2013, the Company and the Manager entered into a management services agreement, pursuant to which the Company is required to pay the Manager a quarterly management fee equal to 0.5% of its adjusted net assets for services performed (the "Parent Management Fee"). The amount of the Parent Management Fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by the Manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) Parent Management Fees received by (or owed to) the Manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid Parent Management Fees. The Company expensed $0 in Parent Management Fees for the years ended December 31, 2020 and 2019.

Offsetting Management Services Agreements

1847 Neese entered into an offsetting management services agreement with the Manager on March 3, 2017, Goedeker entered into an offsetting management services agreement with the Manager on April 5, 2019, which is included in discontinued operations, 1847 Asien entered into an offsetting management services agreement with the Manager on May 28, 2020 and 1847 Cabinet entered into an offsetting management services agreement with our manager on August 21, 2020. Pursuant to the offsetting management services agreements, 1847 Neese appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, Goedeker appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, 1847 Asien appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement) and 1847 Cabinet appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement); provided, however, in each case that (i) pro rated payments shall be made in the first quarter and the last quarter of the term, (ii) if the aggregate amount of management fees paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to any fiscal year exceeds, or is expected to exceed, 9.5% of the Company's gross income with respect to such fiscal year, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for any remaining fiscal quarters in such fiscal year shall be reduced, on a pro rata basis determined by reference to the management fees to be paid to the Manager by all of the subsidiaries of the Company, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to such fiscal year, does not exceed 9.5% of the Company's gross income with respect to such fiscal year, and (iii) if the aggregate amount the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to any fiscal quarter exceeds, or is expected to exceed, the Parent Management Fee with respect to such fiscal quarter, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for such fiscal quarter shall be reduced, on a pro rata basis, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to such fiscal quarter, does not exceed the Parent Management Fee calculated and payable with respect to such fiscal quarter.

Each of 1847 Neese, 1847 Asien or 1847 Cabinet shall also reimburse the Manager for all of its costs and expenses which are specifically approved by its board of directors, including all out-of-pocket costs and expenses, which are actually incurred by the Manager or its affiliates on behalf of 1847 Neese, 1847 Asien or 1847 Cabinet in connection with performing services under the offsetting management services agreements.

1847 Neese expensed $250,000 in management fees for the years ended December 31, 2020 and 2019. Under terms of the term loan from Home State Bank (see Note 11), no fees may be paid to the Manager without permission of the bank, which the Manager does not expect to be granted within the forthcoming year. Accordingly, $700,808 due from 1847 Neese to the Manager is classified as a long-term accrued liability as of December 31, 2020.

1847 Asien expensed $178,022 in management fees for the period from May 29, 2020 to December 31, 2020.

1847 Cabinet expensed $75,000 in management fees for the period from October 1, 2020 to December 31, 2020.

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Advances

From time to time, the Company has received advances from its chief executive officer to meet short-term working capital needs. As of December 31, 2020 and 2019, a total of $118,834 in advances from related parties are outstanding. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

As of December 31, 2020 and 2019, the Manager has funded the Company $71,358 and $62,499 in related party advances, respectively. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

Grid Promissory Note

On January 3, 2018, the Company issued a grid promissory note to the Manager in the initial principal amount of $50,000. The note provided that the Company could request additional advances from the Manager up to an aggregate additional amount of $150,000. On December 7, 2020, parties amended and restated the note for a new principal amount of $56,900 and maturity date of December 7, 2021. Interest on the note accrues on the unpaid portion of the principal amount and the outstanding portion of all advances at a fixed rate of 8% per annum. If all or a portion of the principal amount or any advance under the note, or any interest payable thereon is not paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate of 12% per annum. In the event that the Company completes a financing that includes an uplisting of the Company's common shares to a national exchange, then the Company must, contemporaneously with the closing of such financing transaction, repay the entire outstanding principal, outstanding advances, and accrued and unpaid interest on the note. The note is unsecured and contains customary events of default. As of December 31, 2020 and 2019, the Manager has advanced $56,900 and $119,400 of the note and the Company has accrued interest of $25,159 and $17,115, respectively.

Building Leases

On March 3, 2017, Neese entered into an agreement of lease with K&A Holdings, LLC, a limited liability company that is wholly owned by officers of Neese. See Note 15 for details regarding this lease.

On September 1, 2020, Kyle's entered into an industrial lease agreement with the Kyle's Sellers, who are officers of Kyle's and principle shareholders of the Company. See Note 15 for details regarding this lease.

NOTE 17—SHAREHOLDERS' EQUITY (DEFICIT)

Allocation Shares

As of December 31, 2020 and 2019, the Company had authorized and outstanding 1,000 allocation shares. These allocation shares do not entitle the holder thereof to vote on any matter relating to the Company other than in connection with amendments to the Company's operating agreement and in connection with certain other corporate transactions as specified in the operating agreement.

The Manager owns 100% of the allocation shares of the Company which represent the original equity interest in the Company. As a holder of the allocation shares, the Manager is entitled to receive a 20% profit allocation as a form of preferred distribution, pursuant to a profit allocation formula upon the occurrence of certain events. Generally, the distribution of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses (a "Sale Event") or, at the option of the Manager, at the five year anniversary date of the acquisition of one of the Company's businesses (a "Holding Event"). The Company records distributions of the profit allocation to the holders upon occurrence of a Sale Event or Holding Event as dividends declared on allocation interests to stockholders' equity when they are approved by the Company's board of directors.

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The 1,000 allocation shares are issued and outstanding and held by the Manager, which is controlled by Mr. Roberts, the Company's chief executive officer and controlling shareholder.

Series A Senior Convertible Preferred Shares

On September 30, 2020, the Company executed a certificate of designation to designate 3,157,895 of its shares as series A senior convertible preferred shares, which was amended on November 20, 2020. Following is a description of the rights of the series A senior convertible preferred shares.

Dividends. Dividends at the rate per annum of 14.0% of the stated value ($2.00 per share, subject to adjustment) shall accrue on the series A senior convertible preferred shares. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at the Company's discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price ("VWAP") for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date.

Liquidation. Subject to the rights of the Company's creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series A senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, each holder of outstanding series A senior convertible preferred shares shall be entitled to receive an amount of cash equal to 115% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of the series A senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series A senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation of the Company, then such assets, or the proceeds thereof, shall be distributed among the holders of series A senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series A senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series A senior convertible preferred shares do not have any voting rights; provided that, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series A senior convertible preferred shares, which majority must include Leonite so long as Leonite holds any series A senior convertible preferred shares (the "Requisite Holders"), voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation. In addition, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of the Requisite Holders shall be required prior to the Company's or Kyle's creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than intercompany indebtedness by Kyle's in favor of the Company, except any financing transaction the use of proceeds of which the Company will use to redeem the series A senior convertible preferred shares and the warrants.

Conversion Rights. Each series A senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time into such number of fully paid and nonassessable common shares determined by dividing the stated value, plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $2.00 per share; provided that in no event shall the holder of any series A senior convertible preferred shares be entitled to convert any number of series A senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series A senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares of the Company. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

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Redemption. The Company may redeem in whole (but not in part) the series A senior convertible preferred shares by paying in cash therefore a sum equal to 115% of the stated value plus the amount of accrued and unpaid plus any other amounts due pursuant to the terms of the series A senior convertible preferred shares.

Adjustments. In addition to standard adjustments to the conversion price in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets, mergers, consolidations or similar transactions, the certificate of designation contains a provision regarding adjustments to the dividend rate, stated value and conversion price as follows:

- On the first day of the 12th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by five percent (5.0%) per annum and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.

- On the first day of the 24th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.

- On the first day of the 36th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding the third adjustment date.

Notwithstanding the foregoing, the conversion price for purposes of the adjustments above shall not be adjusted to a number that is below $0.0075.

Additional Equity Interest. On the third adjustment date set forth above, the Company is required to cause Kyle's to issue to the holders of series A senior convertible preferred shares, on a pro rata basis, a ten percent (10%) equity stake Kyle's (the "Additional Equity Interest"). The Company is required to cause Kyle's to grant to the holders of the series A senior convertible preferred shares upon the issuance to them of the Additional Equity Interest a right to receive an additional number of shares of common stock of Kyle's if Kyle's issues to any third party equity securities at a price below the acquisition price (as defined below). Such additional number of shares of common stock of Kyle's to be issued in such instance shall be equal to a number of shares of common stock of Kyle's which, when added to the number of shares of common stock of Kyle's constituting the Additional Equity Interest, would be equal to the total number of shares of common stock which would have been issued to a holder of series A senior convertible preferred shares if the price per share of common stock of Kyle's was equivalent to the price per equity security paid by such third party in Kyle's. For purposes of this provision, "acquisition price" means the price per share of Kyle's that was paid by the Company upon the acquisition of Kyle's.

On September 30, 2020, the Company sold an aggregate of 2,189,835 units, at a price of $1.90 per unit, for aggregate gross proceeds of $4,160,684. On October 26, 2020, the Company sold an additional 442,443 units for an aggregate purchase price of $840,640. Each unit consists of one (1) series A senior convertible preferred share and a three-year warrant to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances. In accordance with ASC 470, if debt or stock is issued with detachable warrants and/or stock, the guidance in ASC 470 requires that the proceeds be allocated to the instruments based on their relative fair values. The Company applied this guidance and recorded a deemed dividend of $2,874,478 as a result of a beneficial conversion feature. As the Company does not have any retained earnings this deemed dividend was netting against additional paid-in capital and the net accounting effect was none.

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Common Shares

The Company is authorized to issue 500,000,000 common shares as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, the Company had 4,444,013 and 3,165,625 common shares issued and outstanding, respectively. The common shares entitle the holder thereof to one vote per share on all matters coming before the shareholders of the Company for a vote.

On April 5, 2019, the Company issued 50,000 common shares to Leonite pursuant to the securities purchase agreement (see Note 13).

On May 4, 2020, the Company issued 100,000 common shares to Leonite upon conversion of $100,000 of the outstanding balance of the secured convertible promissory note resulting is a loss on conversion of debt of $175,000 (see Note 13).

On May 28, 2020, the Company issued 415,000 common shares, having a fair value of $1,037,500, to the Asien's Seller in connection with the Asien's Acquisition, which were subject to repurchase by 1847 Asien for a period of one year following the closing at a purchase price of $2.50 per share. These shares were repurchased by 1847 Asien on July 29, 2020. On August 28, 2020, 1847 Asien distributed these 415,000 shares to its stockholders, pro rata in accordance with their holdings. The Company, as the holder of 95% of the outstanding common stock of 1847 Asien, received 394,112 shares in connection with this distribution, which were then returned to the Company's treasury and cancelled (see Note 11).

On June 4, 2020, the Company issued 100,000 common shares to a service provider for services provided to the Company. The fair market value of the services amounted to $245,000.

On July 21, 2020, the Company issued 50,000 common shares to Leonite upon conversion of $50,000 of the outstanding balance of the secured convertible promissory note resulting is a loss on conversion of debt of $50,000 (see Note 13).

On September 2, 2020, the Company issued 180,000 common shares to Leonite upon exercise of its warrants (see Note 13).

The Company issued a total of 50,000 warrants to service providers for services provided to the Company. The fair market value of the services amounted to $87,550. On September 2, 2020, the warrants were exercised at $1.25 per warrant for proceeds of $62,500.

Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2020	-	$ -	-
Granted	90,000	$ 2.50	5.0
Exercised	77,500	2.50	-
Forfeited	-	-	-
Cancelled	(12,500)	2.50	-
Expired	-	-	-
Outstanding at December 31, 2020	-	$ -	-
Exercisable at December 31, 2020	-	$ -	-

On May 11, 2020, the Company granted options to directors Paul A. Froning and Robert D. Barry to purchase 60,000 and 30,000 common shares, respectively, each at an exercise price of $2.50 per share. The options vested immediately on the date of grant and terminate on May 11, 2025. On September 29, 2020, Mr. Barry exercised the options cashless and on September 30, 2020, Mr. Froning exercised the options for proceeds of $150,000.

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Warrants

	Number of Common Stock Warrants	Weighted average exercise price	Weighted average life (years)	Intrinsic value of Warrants
Outstanding, January 1, 2019	-	$ -	-	
Granted	200,000	1.25	5.00	
Exercised	-	-	-	
Canceled	-	-	-	
Outstanding, December 31, 2019	200,000	1.25	4.26	
Granted	2,882,278	2.39	3.20	
Exercised	(180,000)	1.25	-	
Canceled	(230,000)	1.25	-	
Outstanding, December 31, 2020	2,632,278	$ 2.50	2.76	$ -
Exercisable, December 31, 2020	2,632,278	$ 2.50	2.76	$ -

On April 5, 2019, the Company issued a warrant to purchase 200,000 common shares to Leonite pursuant to the securities purchase agreement. On May 11, 2020, the Company issued another warrant to purchase 200,000 common shares to Leonite pursuant to an amendment to the securities purchase agreement. The warrants had a term of five years, an exercise price of $1.25 per share (subject to adjustment) and could be exercised on a cashless basis (see Note 13).

On September 2, 2020, the Company entered into amendment to the warrant issued to Leonite on April 5, 2019. Pursuant to the amendment, the parties amended the warrant to allow for the conversion of the warrant into 180,000 common shares in exchange for Leonite's surrender of the remaining 20,000 common shares underlying this warrant, as well as all 200,000 common shares underlying the second warrant issued to Leonite on May 11, 2020. On September 2, 2020, Leonite exercised the first warrant in accordance with the foregoing amendment and the Company issued 180,000 common shares to Leonite. As a result of this exercise, both warrants were cancelled (see Note 13).

Accordingly, a portion of the proceeds was allocated to the warrant based on its relative fair value using the Black Scholes option-pricing model. The assumptions used in the Black-Scholes model are as follows: (i) dividend yield of 0%; (ii) expected volatility of 128.52%, (iii) weighted average risk-free interest rate of 0.36%, (iv) expected life of five years, and (v) estimated fair value of the common shares of $2.50 per share in the amount of $448,211 and recorded as part of the Loss on Extinguishment of Debt included in discontinued operations in the year ended December 31, 2020.

On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with SBCC for a term loan in the principal amount of $1,500,000, pursuant to which Goedeker issued to SBCC a term note in the principal amount of up to $1,500,000 and a ten-year warrant to purchase shares of the most senior capital stock of Goedeker equal to 5.0% of the outstanding equity securities of Goedeker on a fully-diluted basis for an aggregate price equal to $100. At December 31, 2019 the warrants were valued at $122,344. On August 4, 2020, SBCC converted the warrant into 250,000 shares of Goedeker's common stock (see Note 5).

On September 30, 2020, the Company sold an aggregate of 2,189,835 units, at a price of $1.90 per unit, for aggregate gross proceeds of $4,160,654. On October 26, 2020, the Company sold an additional 442,443 units for an aggregate purchase price of $840,640. Each unit consists of one (1) series A senior convertible preferred share and one (1) three-year warrant. Accordingly, a portion of the proceeds were allocated to the warrant based on its relative fair value using the Geometric Brownian Motion Stock Path Monte Carlo Simulation. The assumptions used in the model were as follows: (i) dividend yield of 0%; (ii) expected volatility of 62.52-63.25%; (iii) weighted average risk-free interest rate of 0.16%; (iv) expected life of three years; (v) estimated fair value of the common shares of $2.60-$5.25 per share;

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and (vi) various probability assumptions related to redemption, calls and price resets. The ultimate amount allocated to the warrants was $2,209,566, which was recorded as additional paid in capital.

The warrants allow the holder to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment including upon any future equity offering with a lower exercise price), which may be exercised on a cashless basis under certain circumstances. Upon a reduction to the exercise price of such warrants, the number of warrant shares shall increase such that the aggregate exercise price will remain the same. The warrants have a term of three years and are callable by the Company after one year if the 30-day average stock price is in excess of $5 and the trading volume in the Company's shares exceed 100,000 shares a day over such period. The Company can also redeem the warrants during the term for $0.50 a warrant in the first year; $1.00 a warrant in the second year; and $1.50 a warrant in the third year.

Noncontrolling Interests

The Company owns 55.0% of 1847 Neese, 95% of 1847 Asien and 92.5% of 1847 Cabinet. For financial interests in which the Company owns a controlling financial interest, the Company applies the provisions of ASC 810, which are applicable to reporting the equity and net income or loss attributable to noncontrolling interests. The results of 1847 Neese, 1847 Asien and 1847 Cabinet and are included in the consolidated statement of operations as of December 31, 2020. The net loss attributable to the 45% non-controlling interest of 1847 Neese amounted to $545,610 and $514,019 for the years ended December 31, 2020 and 2019, respectively. The net loss attributable to the 5% non-controlling interest of 1847 Asien amounted to $18,479 for the period from May 29, 2020 to December 31, 2020. The net income attributable to the 7.5% non-controlling interest of 1847 Cabinet amounted to $28,538 for the period from October 1, 2020 to December 31, 2020.

NOTE 18—COMMITMENTS AND CONTINGENCIES

An office space has been leased on a month-by-month basis.

The officers and directors are involved in other business activities and most likely will become involved in other business activities in the future.

NOTE 19—INCOME TAXES

As of December 31, 2020 and 2019, the Company had net operating loss carry forwards of approximately $349,000 and $2,297,000, respectively, that may be available to reduce future years' taxable income in varying amounts through 2037. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The provision for Federal income tax consists of the following:

The cumulative tax effect at the expected rate of 26.3% and 26.3% of significant items comprising the Company's net deferred tax amount is as follows:

The components for the provision of income taxes include:

	December 31, 2020	December 31, 2019
Current Federal and State	$ (102,200)	$ 16,500
Deferred Federal and State	368,600	(1,218,900)
Total (benefit) provision for income taxes	$ 266,400	$ (1,202,400)

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A reconciliation of the statutory US Federal income tax rate to the Company's effective income tax rate is as follows:

	December 31, 2020	December 31, 2019
Federal tax	21.0%	21.0%
State tax	4.5%	5.5%
Discontinued operations	(4.8)%	0.0%
Permanent items	(1.6)%	(0.2)%
Valuation Allowance	(21.7)%	0.0%
Other	0.8%	0.0%
Effective income tax rate	(1.9)%	26.3%

Deferred income taxes reflect the net tax effect of temporary differences between amounts recorded for financial reporting purposes and amounts used for tax purposes. The Company has a net cumulative current deferred tax asset of $324,000 and a net cumulative long-term deferred tax liability of ($324,000). The major components of deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Receivables	$ 4,000	$ 8,000
Related party accruals	204,000	156,000
Inventory obsolescence	53,000	115,000
Sales return reserve	48,000	51,000
Business interest limitation	185,000	343,000
Lease liability	241,000	-
Other	55,000	8,000
Loss carryforward	174,000	624,000
Valuation Allowance	(364,000)	-
Total deferred tax assets	$ 600,000	$ 1,305,000
Deferred tax liabilities		
Fixed assets	$ (359,000)	$ (652,000)
Intangibles	(241,000)	(18,000)
Total deferred tax liabilities	$ (600,000)	$ (670,000)
Total net deferred income tax assets (liabilities)	$ -	$ 635,000

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. At December 31, 2020 and 2019, the Company does not believe that a liability for uncertain tax provisions exists, and therefore, accrued interest and penalties were $0 and $0, respectively. The tax years ended December 31, 2015 through December 31, 2020 are considered to be open under statute and therefore may be subject to examination by the Internal Revenue Service and various state jurisdictions.

The Company is a partnership for federal income taxes; however, its subsidiaries are C corporations. The Company will file consolidated returns whenever possible. Following is a summary of prepaid and deferred tax assets and liabilities for December 31, 2020 and 2019.

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	As of December 31,	
	2020	2019
Prepaid income taxes (accrued tax liability)	$ 39,000	$ (24,000)
Deferred tax asset (liability)	$ -	$ 635,000

	Years Ended December 31,	
	2020	2019
Income tax (benefit)/expense	$ 267,000	$ (1,202,000)

NOTE 20—SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures of cash flow information for the years ended December 31, 2020 and 2019 were as follows:

	Years Ended December 31,	
	2020	2019
Interest paid	$ 415,451	$ 413,894
Income tax paid	$ -	$ -
Business combinations:		
Current assets	$ 2,255,479	$ -
Property and equipment	357,789	-
Intangibles	4,030,000	-
Goodwill	5,989,818	-
Assumed liabilities	(3,575,100)	-
Cash acquired in acquisitions	$ 1,631,285	$ -
Financing:		
Due to seller (cash paid to seller day after closing)	$ 4,622,792	$ -
Line of credit	$ 586,097	$ -
Debt discount on line of credit	(17,500)	-
Issuance of common shares on promissory note		-
Line of credit, net	$ 568,597	$ -
Convertible Promissory Note	$ 1,353,979	$ -
Common Shares	$ 1,115	-
Deemed Dividend related to issuance of Preferred stock	$ 3,051,478	-
1847 Goedeker Spin-Off Dividend	$ 283,257	$ -
Distribution – Allocation shares	$ 5,985,000	$ -
Distribution receivable - Allocation shares	$ 2,000,000	$ -
Additional Paid-in Capital – common shares and warrants issued	$ 4,711,385	$ 430,173
Operating lease, ROU assets and liabilities	$ 373,916	$ -

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NOTE 21—DISTRIBUTION

On October 23, 2020, the Company completed the distribution of Goedeker's stock then held by it. The common shareholders of the Company received an aggregate of 2,660,007 shares of the common stock of Goedeker, which were distributed on a pro rata basis at a ratio of 0.710467618568632 shares of Goedeker's common stock for each common share of the Company held on the record date, and the Manager, as the sole holder of the allocation shares, received 664,993 shares of the common stock of Goedeker, which it then distributed to its members.

As discussed in Note 15, the Manager owns 100% of the allocation shares of the Company which represent the original equity interest in the Company. As a holder of the allocation shares, the Manager is entitled to receive a 20% profit allocation as a form of preferred distribution, pursuant to profit allocation formula upon the occurrence of certain events. The distribution of the profit allocation is paid upon the occurrence of a Sale Event or a Holding Event. The Company records distributions of the profit allocation to the holders upon occurrence of a Sale Event or a Holding Event as dividends declared on allocation interests to stockholders' equity when they are approved by the Company's board of directors.

Upon the sale of a subsidiary of the Company, the Manager will be paid a profit allocation based on the gain of the sale and net income (loss) since acquisition, subject to various hurdle thresholds. Upon a Holding Event, the Manager will be paid a profit allocation based on the subsidiary's net income since its acquisition, subject to various hurdle thresholds. The calculation of the profit allocation and the rights of the Manager, as the holder of the allocation shares, are governed by the operating agreement.

The following is a summary of the profit allocation payments made during the year ended December 31, 2020. There were no allocation payments made to the allocation interest holders in 2019.

During the fourth quarter of 2020, the Company distributed to its shareholders all of the common stock of Goedeker held by it, which resulted in the declaration and payment of a profit allocation interest to the Manager. Payment was in the form of a distribution allocation of 664,993 Goedeker shares with a fair value of $5,985,000 which was calculated by the Company in accordance with the profit allocation formula outlined in the operating agreement. In calculating the distribution, the board reached its preliminary determination based on the fact that no capital was contributed by the Company in connection with the acquisition of Goedeker, and as such all profit from the Sale Event constituted Total Profit Allocation, as outlined in the operating agreement, without regard to losses incurred by Goedeker from the date of acquisition through the date of the spin off. Post allocation, the Company determined that the calculation required a revision to the shares distributed to the Manager to 443,331 shares, with a fair value of approximately $3,990,000. As a result, $5,985,000 was recognized as a distribution to the allocation shares, and a $1.995 million distribution receivable was established within shareholder's equity.

NOTE 22 —SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to December 31, 2020 to the date these financial statements were issued, and has determined that, except as set forth below, it does not have any material subsequent events to disclose in these financial statements.

Wolo Closing and Related Transactions

Amendment to the Stock Purchase Agreement and Closing

On December 22, 2020, the Company and its wholly-owned subsidiary 1847 Wolo Inc. ("1847 Wolo") entered into a stock purchase agreement with Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation (together, "Wolo"), and the sellers named therein (together, the "Wolo Sellers"), pursuant to which 1847 Wolo agreed to acquire all of the issued and outstanding capital stock of Wolo (the "Wolo Acquisition").

On March 30, 2021, the Company, 1847 Wolo, Wolo and the Wolo Sellers entered into amendment No. 1 to the stock purchase agreement to amend certain terms of the stock purchase agreement. Following entry into such amendment, closing of the Wolo Acquisition was completed on the same day.

Pursuant to the terms of the stock purchase agreement, as amended, 1847 Wolo agreed to acquire all of the issued and outstanding capital stock of Wolo for an aggregate purchase price of $7,400,000, subject to adjustment as described below. The purchase price consists of (i) $6,550,000 in cash and (ii) a 6% secured promissory note in the aggregate principal amount of $850,000.

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The purchase price is subject to a post-closing working capital adjustment provision. Under this provision, the Wolo Sellers delivered to 1847 Wolo at the closing an unaudited balance sheet of Wolo as of that date. On or before the 75th day following the closing, 1847 Wolo shall deliver to the Wolo Sellers an audited balance sheet as of the closing date. If the net working capital reflected on such final balance sheet exceeds the net working capital reflected on the preliminary balance sheet delivered at closing, 1847 Wolo shall, within seven days, pay to the Wolo Sellers an amount of cash that is equal to such excess. If the net working capital reflected on the preliminary balance sheet exceeds the net working capital reflected on the final balance, the Wolo Sellers shall, within seven days, pay to 1847 Wolo an amount in cash equal to such excess.

Purchase to the stock purchase agreement, 1847 Wolo agreed to indemnify and hold harmless the Wolo Sellers for any amounts in respect of taxes payable by the Wolo Sellers in connection with the Wolo Acquisition that are in excess of the amounts of taxes that would have been payable by the Wolo Sellers in connection with the Wolo Acquisition if the closing had occurred on or prior to December 31, 2020.

The stock purchase agreement contains customary representations, warranties and covenants, including a covenant that the Wolo Sellers will not compete with the business of Wolo for a period of three (3) years following closing.

The stock purchase agreement also contains mutual indemnification for breaches of representations or warranties and failure to perform covenants or obligations contained in the stock purchase agreement. In the case of the indemnification provided by the Wolo Sellers with respect to breaches of certain non-fundamental representations and warranties, the Wolo Sellers will only become liable for indemnified losses if the amount exceeds an aggregate of $10,000, whereupon the Wolo Sellers will be liable for all losses that exceed the $100,000 threshold, provided that the liability of the Wolo Sellers for breaches of certain non-fundamental representations and warranties shall not exceed $1,825,000.

6% Secured Promissory Note

As noted above, a portion of the purchase price for Wolo was paid by the issuance of a 6% secured promissory note in the principal amount of $850,000 by 1847 Wolo to the Wolo Sellers. Interest on the outstanding principal amount will be payable quarterly at the rate of six percent (6%) per annum. The note matures on the 39-month anniversary following the closing of the acquisition, at which time the outstanding principal amount of the note, along with all accrued, but unpaid interest, shall be paid in one lump sum. 1847 Wolo has the right to prepay all or any portion of the note at any time prior to the maturity date without premium or penalty of any kind. The note contains customary events of default and is secured by all of the assets of Wolo; provided that the rights of the Wolo Sellers under the note are subordinate to the rights of Sterling National Bank under the credit agreement described below.

Management Services Agreement

On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with the Manager on the same terms as the other offsetting management services agreements described in Note 16; provided that, the quarterly management fee is equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement).

The rights of the Manager to receive payments under this offsetting management services agreement are subordinate to the rights of Sterling (as defined below) under separate a subordination agreement that the Manager entered into with Sterling on March 30, 2021.

Credit Agreement and Notes

On March 30, 2021, 1847 Wolo and Wolo entered into a credit Agreement with Sterling National Bank (“Sterling”) for (i) revolving loans in an aggregate principal amount that will not exceed the lesser of the borrowing base (as defined below) or $1,000,000 and (ii) a term loan in the principal amount of $3,550,000. The revolving loan is evidenced by a revolving credit note and the term loan is evidenced by a $3,550,000 term note. The “borrowing base” means an amount equal to the sum of the following: (A) 80% of eligible accounts (as defined in the credit agreement) PLUS (B) the lesser of: (1) 50% percent of eligible inventory (as defined in the credit agreement) or (2) $400,000.00, MINUS (C) such reserves as Sterling may establish from time to time in its sole discretion. Sterling has the right from

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time to time, in its sole discretion, to amend, substitute or modify the percentages set forth in the definition of borrowing base and the definition(s) of eligible accounts and eligible inventory.

The revolving note matures on March 29, 2022 and bears interest at a per annum rate equal to the greater of (i) the prime rate (as defined in the credit agreement) or (ii) 3.75%. The term note matures on April 1, 2024 and bears interest at a per annum rate equal to the greater of (x) the prime rate plus 3.00% or (y) 5.00%; provided that, upon an event of default, all loans, all past due interest and all fees shall bear interest at a per annum rate equal to the foregoing rate plus 5.00%. Interest accrued on the revolving note and the term note shall be payable on the first day of each month commencing on the first such day of the first month following the making of such revolving loan or term loan, as applicable.

With respect to the term loan, 1847 Wolo and Wolo must repay to Sterling on the first day of each month, (i) beginning on May 1, 2021 and ending on March 1, 2022, eleven (11) equal monthly principal payments of $43,750 each, (ii) beginning on April 1, 2022 and ending on March 1, 2024, twenty-four (24) equal monthly payments of $59,167 each and (iii) on April 1, 2024, a final principal payment in the amount of $1,648,742. In addition, beginning on June 1, 2022 and on each anniversary thereof thereafter until such time as the term loan is repaid in full, 1847 Wolo and Wolo must pay an additional principal payment equal to 50% of the excess cash flow (as defined in the credit agreement), if any. If Sterling has not received the full amount of any monthly payment on or before the date it is due (including as a result of funds not available to be automatically debited on the date on which any such payment is due), 1847 Wolo and Wolo must pay a late fee in an amount equal to six percent (6%) of such overdue payment. 1847 Wolo and Wolo may at any time and from time to time voluntarily prepay the revolving note or the term note in whole or in part.

The credit agreement contains customary representations, warranties, affirmative and negative financial and other covenants and events of default for loans of this type. Each of the revolving note and the term note is secured by a first priority security interest in all of the assets of 1847 Wolo and Wolo.

Unit Offering

On March 26, 2021, the Company entered into several securities purchase agreements with certain purchasers, pursuant to which the Company sold an aggregate of 1,818,182 units, at a price of $1.65 per unit, to the purchasers for an aggregate purchase price of $3,000,000. Each unit consists of (i) one (1) series A senior convertible preferred share of the Company with a stated value of $2.00 per share and (ii) a three-year warrant to purchase one (1) common share of the Company at an exercise price of $2.50 per share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances. The proceeds of offering were used to fund, in part, an acquisition of Wolo. As described in further detail below, we contributed to 1847 Wolo the $3,000,000 raised in this offering in exchange for 1,000 shares of 1847 Wolo's series A preferred stock, at a price of $3,000 per share, to fund, in part, the planned acquisition of Wolo by 1847 Wolo.

Pursuant to the securities purchase agreements, the Company is required file a registration statement with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, covering the resale of all shares issuable upon conversion of the series A senior convertible preferred shares and exercise of the warrants with thirty (days) after the closing and use its commercially reasonable efforts to have the registration statement declared effective by the SEC as soon as practicable, but in no event later than (i) ninety (90) days after the closing in the event that the SEC does not review the registration statement, or (ii) one hundred fifty (150) days after the closing in the event that the SEC reviews the registration statement (but in any event, no later than two (2) business days from the SEC indicating that it has no further comments on the registration statement).

The lead investors in the offering received participation rights that permit them, for a period of 12 months after the closing, to participate in an offering of securities by the Company or any of its subsidiaries in an amount up to the aggregate amount that the lead investor invested in the offering with customary exclusions.

In addition to the participation right, and registration rights described above, the securities purchase agreements provided several other covenants in favor of the purchasers and/or the lead investor, including information rights, observer rights, certain restrictive covenants,

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and other covenants customary for similar transactions. The securities purchase agreements also contain customary representations, warranties closing conditions and indemnities.

The warrants issued in this offering have the same terms as the warrants issued on September 30, 2020 and October 26, 2020 in connection with the prior unit offering (see Note 17). In connection with the unit offering, the Company amended and restated the certificate of designation for the series A senior convertible preferred shares (See Note 17). The amendments include the following:

- The number of shares designated as series A senior convertible preferred shares was increased to 4,450,460.
- The dividend provision has been amended to provide that if the Company's common shares are not registered, and rulemaking referred to below is effective, any dividends payable in common shares shall be calculated based upon the fixed price of $1.57; provided that the Company may only elect to pay dividends in common shares based upon such fixed price if the VWAP for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.
- The conversion price (as defined in the certificate of designation) was changed to $1.75 per share.
- The voting provision was amended to provide that so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of the Requisite Holders shall be required prior to the Company's, Kyle's or Wolo's creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than (A) intercompany indebtedness by Kyle's or Wolo in favor of the Company, (B) indebtedness incurred in favor of the sellers of Kyle's or Wolo in connection with the acquisition of Kyle's or Wolo, or (C) indebtedness (or the refinancing of such indebtedness) the proceeds of which are used to complete the acquisition of Kyle's or Wolo related expenses or working capital to operate the business of Kyle's or Wolo.

- The adjustments provision was revised to add an additional adjustment which provides that if any legislation or rules are adopted whereby the holding period of securities for purposes of Rule 144 of the Securities Act of 1933, as amended, for convertible securities that convert at market-adjusted rates is increased resulting in a longer holding period for convertible securities like the series A senior convertible preferred shares and the unavailability at the time of conversion of Rule 144, the pricing provisions that are based upon the lowest VWAP of the previous ten (10) trading days immediately preceding the relevant adjustment date shall be removed unless the shares issuable upon conversion of series A senior convertible preferred shares are then registered under an effective registration statement, in which case this provision shall not apply.
- The additional equity interest provision was revised to clarify that the holders of series A senior convertible preferred shares previously issued in connection with the Kyle's Acquisition shall receive an equity stake in Kyle's and the holders of series A senior convertible preferred shares issued in connection with the Wolo Acquisition shall receive an equity stake in Wolo.

In exchange for the consent of the holders of the Company's outstanding series A senior convertible preferred shares to the issuance of these units at a lower purchase price than such holders paid for their shares, the Company issued an aggregate of 398,838 common shares to such holders.

Subscription Agreement

On March 29, 2021, the Company entered into a subscription agreement with 1847 Wolo, pursuant to which 1847 Wolo issued to the Company 1,000 shares of its series A preferred stock, for gross proceeds to 1847 Wolo of $3,000,000. The series A preferred stock has no voting rights and is not convertible into the common stock or any other securities of 1847 Wolo. Dividends at the rate per annum of 16.0% of the stated value of $3,000 per share shall accrue on the series A preferred stock (subject to adjustment) and shall accrue from day to day, whether or not declared, and shall be cumulative. Accruing dividends are payable quarterly in arrears on each of the following dividend payment dates: January 15, April 15, July 15 and October 15 beginning on April 15, 2021. Upon any liquidation, dissolution or winding up of 1847 Wolo, before any payment shall be made to the holders of 1847 Wolo's common stock, the series A preferred stock

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then outstanding shall be entitled to be paid out of the funds and assets available for distribution to 1847 Wolo's stockholders an amount per share equal to the stated value of $3,000 per share, plus any accrued, but unpaid dividends.

Paycheck Protection Program – Phase II

On March 26, 2021, Neese received a second PPP Loan in the amount of $380,385 under Phase II of the Paycheck Protection Program which commenced on January 13, 2021 and allowed certain businesses that received an initial PPP Loan to seek a second draw PPP Loan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 15, 2021

1847 HOLDINGS LLC

/s/ Ellery W. Roberts
Name: Ellery W. Roberts
Title: Chief Executive Officer
(Principal Executive Officer)

/s/ Jay Amond
Name: Jay Amond
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Ellery W. Roberts Ellery W. Roberts	Chairman and Chief Executive Officer (principal executive officer)	April 15, 2021
/s/ Jay Amond Jay Amond	Chief Financial Officer (principal financial and accounting officer)	April 15, 2021
/s/ Robert D. Barry Robert D. Barry	Director	April 15, 2021
/s/ Paul A. Froning Paul A. Froning	Director	April 15, 2021

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Exhibit 4.1

DESCRIPTION OF SECURITIES

General

The following is a summary of the material terms of our shares as of December 31, 2020. The operating agreement provides for the issuance of our shares, the terms relating to distributions with respect to our shares and the voting rights of holders of our shares. In addition, the terms of the series A senior convertible preferred shares are governed by a certificate of designation, dated September 30, 2020.

The following description is subject to the provisions of the Delaware Limited Liability Company Act. Certain provisions of the operating agreement are intended to be consistent with the General Corporation Law of the State of Delaware, and the powers of our company, the governance processes and the rights of the holders of our shares are generally intended to be similar in many respects to those that would exist if our company was a Delaware corporation under the General Corporation Law of the State of Delaware, with certain exceptions.

The statements that follow are subject to and are qualified in their entirety by reference to all of the provisions of the operating agreement, a copy of which is included as an exhibit to this report.

We are authorized to issue up to 500,000,000 common shares, 3,157,895 series A senior convertible preferred shares and 1,000 allocation shares. As of December 31, 2020, we had 4,444,013 common shares and 2,632,278 series A senior convertible preferred shares issued and outstanding. In connection with the formation of our company, our manager acquired 100% of the allocation shares for a capital contribution of $1,000 by our manager. Other than the allocation shares held by our manager, our company will not be authorized to issue any other allocation shares.

Common Shares

Distribution Rights. Holders of common shares are entitled to receive ratably those distributions, if any, as may be declared from time to time by the board of directors out of legally available funds.

Liquidation Rights. Upon our liquidation, dissolution or winding up in accordance with the terms of the operating agreement, the then holders of common shares will be entitled to share in the assets of our company legally available for distribution, following payment to creditors, in accordance with the positive balance in such holders' tax-based capital accounts required by the operating agreement, after giving effect to all contributions, distributions and allocations for all periods.

Voting Rights. The holders of common shares are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders. Under the operating agreement, any action to be taken by vote of shareholders other than for election of directors shall be authorized by the affirmative vote of the majority of shares present or represented by proxy and entitled to vote. Directors are elected by a plurality of votes cast.

Other Rights. Holders of common shares have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the common shares.

Series A Senior Convertible Preferred Shares

Dividends. Dividends at the rate per annum of 14.0% of the stated value ($2.00 per share, subject to adjustment) shall accrue on the series A senior convertible preferred shares. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at our discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price, or VWAP, for the common shares on our principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date.

Liquidation. Subject to the rights of our creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of our company or its subsidiaries, before any payment or distribution of the assets of our company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series A senior convertible preferred shares as to the distribution of assets on any liquidation of our company, each holder of outstanding series A senior convertible preferred shares shall be entitled to receive an amount of cash equal to 115% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to

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such holders. If, upon any liquidation of our company, the assets of our company, or proceeds thereof, distributable among the holders of the series A senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series A senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the distribution of assets on any liquidation of our company, then such assets, or the proceeds thereof, shall be distributed among the holders of series A senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series A senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series A senior convertible preferred shares do not have any voting rights; provided that, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series A senior convertible preferred shares, which majority must include Leonite Capital LLC so long as it holds any series A senior convertible preferred shares (which we refer to as the requisite holders), voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation. In addition, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of requisite holders shall be required prior to our company's or Kyle's creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than intercompany indebtedness by Kyle's in favor of our company, except any financing transaction the use of proceeds of which we will use to redeem the series A senior convertible preferred shares and the warrants.

Conversion Rights. Each series A senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time into such number of fully paid and nonassessable common shares determined by dividing the stated value, plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $2.00 per share; provided that in no event shall the holder of any series A senior convertible preferred shares be entitled to convert any number of series A senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series A senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares of our company. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to our company.

Redemption. We may redeem in whole (but not in part) the series A senior convertible preferred shares by paying in cash therefore a sum equal to 115% of the stated value plus the amount of accrued and unpaid plus any other amounts due pursuant to the terms of the series A senior convertible preferred shares.

Adjustments. In addition to standard adjustments to the conversion price in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of our assets, mergers, consolidations or similar transactions, the certificate of designation contains a provision regarding adjustments to the dividend rate, stated value and conversion price as follows:

- On the first day of the 12th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by five percent (5.0%) per annum and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.
- On the first day of the 24th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.
- On the first day of the 36th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding the third adjustment date.

Notwithstanding the foregoing, the conversion price for purposes of the adjustments above shall not be adjusted to a number that is below $0.0075.

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Additional Equity Interest. On the third adjustment date set forth above, we are required to cause Kyle's to issue to the holders of series A senior convertible preferred shares, on a pro rata basis, a ten percent (10%) equity stake Kyle's. We are required to cause Kyle's to grant to the holders of the series A senior convertible preferred shares upon the issuance to them of such equity interest a right to receive an additional number of shares of common stock of Kyle's if Kyle's issues to any third party equity securities at a price below the acquisition price (as defined below). Such additional number of shares of common stock of Kyle's to be issued in such instance shall be equal to a number of shares of common stock of Kyle's which, when added to the number of shares of common stock of Kyle's constituting such equity interest, would be equal to the total number of shares of common stock which would have been issued to a holder of series A senior convertible preferred shares if the price per share of common stock of Kyle's was equivalent to the price per equity security paid by such third party in Kyle's. For purposes of this provision, "acquisition price" means the price per share of Kyle's that was paid by us upon the acquisition of Kyle's.

Other Rights. Holders of series A senior convertible preferred shares have no preemptive or subscription rights for additional securities of our company.

Allocation Shares

Distribution Rights. Under the terms of the operating agreement, our company will pay a profit allocation to our manager, as holder of the allocation shares. See Item 1 "*Business—Our Manager—Our Manager as an Equity Holder—Manager's Profit Allocation*" for a description of our manager's profit allocation to be paid to our manager and an example of the calculation of the profit allocation.

Liquidation Rights. Upon a liquidation of our company, any accrued, but unpaid profit allocation due to our manager as a result of our manager's ownership of the allocation shares would be paid to our manager before any payment is made of any amounts due upon a liquidation to the holders of our common shares.

Voting Rights. The operating agreement provides that the holder of allocation shares will not be entitled to any voting rights, except that the holder of the allocation shares will have:

- voting rights in connection with the merger or consolidation of our company, the sale, lease or exchange of all or substantially all of our company's assets and certain other business combinations or transactions;
- a consent right with respect to the dissolution of our company in certain circumstances;
- a consent right with respect to the amendment of the provisions providing for distributions to the holders of allocation shares;
- a consent right to any amendment to the provisions entitling the holders of allocation shares to appoint and remove directors who will serve on our board of directors of our company;
- a consent right to any amendment to the provision regarding the quorum and voting requirements for board meetings;
- a consent right to any amendment to the provisions regarding the indemnification and liability of directors;
- a consent right with respect to any amendment of the provision of the operating agreement governing amendments thereof; and
- a consent right with respect to any amendment that would adversely affect the holder of allocation shares.

In addition, the holder of the allocation shares has the right to appoint one (1) director to our board of directors for every four (4) members constituting the entire board of directors. Any director appointed to our board of directors by the holder of the allocation shares will not be required to stand for election by the holders of our common shares and will not have any special voting rights.

Other Rights. Holders of allocation shares have no preemptive, conversion or subscription rights and there are no redemption or sinking fund provisions applicable to the allocation shares.

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Warrants

In connection with the unit offering described elsewhere in this report, we issued warrants for the purchase of an aggregate of 2,632,278 common shares. Each warrant is exercisable within three years at an exercise price of $2.50 per common share (subject to adjustment, including a full ratchet antidilution adjustment), which may be exercised on a cashless basis if the underlying warrant shares are not then registered or otherwise freely tradeable. The warrants contains an ownership limitation, such that the we shall not effect any exercise of any warrant, and the holder shall not have the right to exercise any portion of such warrant, to the extent that after giving effect to issuance of common shares upon exercise such warrant, such holder, together with its affiliates, and any other persons acting as a group together with such holder or any of its affiliates, would beneficially own in excess of 4.99% of the number of common shares outstanding immediately after giving effect to the issuance of common shares issuable upon exercise of such warrant. Upon no fewer than 61 days' prior notice to us, a purchaser may increase or decrease such beneficial ownership limitation provisions and any such increase or decrease will not be effective until the 61st day after such notice is delivered to us.

We may force the exercise of the warrants at any time after the one year anniversary of the date of the warrants, if (i) our company is listed on a national securities exchange or the over-the-counter market, (ii) the underlying common shares are registered or the holder of the warrant otherwise has the ability to trade the underlying common shares without restriction, (iii) the 30-day volume-weighted daily average price of our common shares exceeds 200% of the exercise price, as adjusted and (iv) the average daily trading volume is at least 100,000 common shares during such 30-day period.

We may redeem the warrants held by any holder in whole (but not in part) by paying in cash to such holder as follows: (i) $0.50 per share then underlying the warrant if within the first twelve (12) months of issuance; (ii) $1.00 per share then underlying the warrant if after the first twelve (12) months, but before twenty-four (24) months of issuance; and (iii) $1.50 per share then underlying the warrant if after twenty-four months, but before thirty-six (36) months.

Agreement to be Bound by our Operating Agreement; Power of Attorney

By purchasing our shares, you will be admitted as a member of our company and will be deemed to have agreed to be bound by the terms of the operating agreement. Pursuant to the operating agreement, each shareholder and each person who acquires a share from a shareholder grants to certain of our officers (and, if appointed, a liquidator) a power of attorney to, among other things, execute and file documents required for our qualification, continuance or dissolution. The power of attorney also grants certain of our officers the authority to make certain amendments to, and to make consents and waivers under and in accordance with, our operating agreement.

Ratification of Agreements

The operating agreement provides that each holder, by acquiring shares, ratifies and confirms the various agreements entered into by our company, including but not limited to, the management services agreement, the supplemental put provision of the operating agreement, and that the execution of any of these agreements does not constitute a breach of any duty existing under the operating agreement or otherwise existing at law, in equity or otherwise by any persons, including our manager, approving, negotiating or executing such agreements on behalf our company.

Waiver of Jury Trial

Our operating agreement provides that, to the extent permitted by law, holders of common shares waive the right to a jury trial of any claim they may have against us arising out of or relating to our operating agreement, including any claim under the U.S. federal securities laws. If we opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable under the facts and circumstances of that case in accordance with applicable case law. See Item 1A "*Risk Factors—Risks Related to Ownership of Our Common Shares—Holders of our common shares may not be entitled to a jury trial with respect to claims arising under our operating agreement, which could result in less favorable outcomes to the plaintiffs in any such action*."

Election by Our Company

The operating agreement provides that our board of directors may, without the vote of holders of our shares, cause our company to elect to be treated as a corporation for United States federal income tax purposes if the board receives an opinion from a nationally recognized financial advisor to the effect that the market valuation of our company is expected to be significantly lower as a result of our company continuing to be treated as a partnership for United States federal income tax purposes than if our company instead elected to be treated as a corporation for United States federal income tax purposes.

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Amendment of the Operating Agreement

The operating agreement may be amended by a majority vote of our board of directors of our company, except that amending the following provisions requires an affirmative vote of at least a majority of the then outstanding common shares:

- the purpose or powers of our company;
- an increase in the number of common shares authorized for issuance;
- the distribution rights of the common shares;
- the voting rights relating to the common shares;
- the hiring of a replacement manager following the termination of the management services agreement;
- the merger or consolidation of our company, the sale, lease or exchange of all or substantially all of our company's assets and certain other business combinations or transactions;
- the right of our shareholders to vote on the dissolution, winding up and liquidation of our company; and
- the provision of the operating agreement governing amendments thereof.

Anti-Takeover Provisions

Certain provisions of the management services agreement and the operating agreement may make it more difficult for third parties to acquire control of our company by various means. These provisions could deprive our shareholders of opportunities to realize a premium on the shares owned by them. In addition, these provisions may adversely affect the prevailing market price of our shares. These provisions are intended to:

- protect our manager and its economic interests in our company;
- protect the position of our manager and its rights to manage the business and affairs of our company under the management services agreement;
- enhance the likelihood of continuity and stability in the composition of our board of directors and in the policies formulated by our board of directors;
- discourage certain types of transactions which may involve an actual or threatened change in control of our company;
- discourage certain tactics that may be used in proxy fights;
- encourage persons seeking to acquire control of our company to consult first with our board of directors to negotiate the terms of any proposed business combination or offer; and
- reduce the vulnerability of our company to an unsolicited proposal for a takeover that does not contemplate the acquisition of all of the outstanding shares or that is otherwise unfair to our shareholders.

Anti-Takeover Effects of the Management Services Agreement

The limited circumstances in which our manager may be terminated means that it will be very difficult for a potential acquirer of our company to take over the management and operation of our business. Under the terms of the management services agreement, our manager may only be terminated by our company in certain limited circumstances. Furthermore, our manager has the right to resign and terminate the management services agreement upon 120 days' notice.

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

If we terminate the management services agreement, our company and its businesses must cease using the term "1847," including any trademarks based on the name of our company that may be licensed to them by our manager under a license grant in the management services agreement, entirely in their businesses and operations within 180 days of our termination of the management services agreement. The license grant requires our company and its businesses to change their names to remove any reference to the term "1847" or any reference to trademarks licensed to them by our manager upon termination of the license which would occur upon termination of the management services agreement.

See Item 1 "*Business—Our Manager—Termination of Management Services Agreement*" for more information about the termination provisions set forth in the management services agreement.

Anti-Takeover Provisions in the Operating Agreement

A number of provisions of the operating agreement also could have the effect of making it more difficult for a third-party to acquire, or of discouraging a third-party from acquiring, control of our company. The operating agreement prohibits the merger or consolidation of our company with or into any limited liability company, corporation, statutory trust, business trust or association, real estate investment trust, common-law trust or any other unincorporated business, including a partnership, or the sale, lease or exchange of all or substantially all of our company's property or assets unless, in each case, our board of directors adopts a resolution by a majority vote approving such action and unless such action is approved by the affirmative vote of the holders of a majority of each of the outstanding common shares and allocation shares entitled to vote thereon.

In addition, the operating agreement contains provisions based generally on Section 203 of the General Corporation Law of the State of Delaware which prohibits our company from engaging in a business combination with an interested holder of our common shares unless such business combination is approved by the affirmative vote of the holders of 66 2/3% of each of the outstanding common shares and allocation shares, excluding shares held by the interested holder or any affiliate or associate of the interested holder of interests.

Subject to the right of our manager to appoint directors and any successor in the event of a vacancy, the operating agreement authorizes our board of directors to increase the size of the board of directors and to fill vacancies on our board of directors. This provision could prevent a holder of common shares from effectively obtaining an indirect majority representation on our board of directors by permitting the existing board of directors to increase the number of directors and to fill the vacancies with its own nominees. The operating agreement also provides that directors may be removed, with or without cause, only by the affirmative vote of holders of two-thirds of the then outstanding common shares. A director appointed by our manager may only be removed by our manager, as holder of the allocation shares.

The operating agreement provides that special meetings may only be called by the Chairman of our board of directors or by resolution adopted by our board of directors.

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

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Authorized but unissued shares are available for future issuance, without further approval of our shareholders. These additional shares may be utilized for a variety of purposes, including future public offerings to raise additional capital or to fund acquisitions, as well as option plans for employees of our company or its businesses. The existence of authorized but unissued shares could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or otherwise.

In addition, our board of directors has broad authority to amend the operating agreement, as discussed above. Our board of directors could, in the future, choose to amend the operating agreement to include other provisions which have the intention or effect of discouraging takeover attempts.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is VStock Transfer, LLC. The address for VStock Transfer, LLC is 18 Lafayette Pl, Woodmere, NY 11598, and the telephone number is (212) 828-8436.

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Exhibit 10.47

INDUSTRIAL LEASE

by and between

STEPHEN & RITA MALLATT

LANDLORD

and

KYLE'S CUSTOM WOOD SHOP, INC.

TENANT

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INDUSTRIAL LEASE

This Industrial Lease (this "**Lease**") is made and entered info effective the 1st day of September, 2020 ("**Effective Date**") by and between Stephen Mallatt, Jr. and Rita Mallatt, together as "**Landlord**", and Kyle's Custom Wood Shop, Inc., an Idaho corporation, as "**Tenant**".

BASIC LEASE INFORMATION

The following Basic Lease Information is applied under and governed by the particular section(s) in this Lease pertaining to the following information:

1. **Premises.** That certain real property located at 10849 W. Emerald St., Boise, ID 83713, which is more particularly described and approximately depicted on Exhibit A, attached hereto and incorporated herein, and the Building and all other improvement located thereon.

2. **Building.** That certain Building, constituting a portion of the Premises, consisting of approximately 6,601 square feet and depicted on Exhibit A.

3. **Lease Term.** Commencing on the Commencement Date and ending sixty (60) months (5 years) following the first day of the calendar month immediately following the month containing the Commencement Date (unless the Commencement Date is the first day of a calendar month, in which event the Lease Term shall end sixty (60) months following the Commencement Date). (See Section 2.1)

4. **Commencement Date.** September 1, 2020

5. **Renewal Option.** (See Section 2.2)

6. **Base Rent.**

Months	Annual Base Rent	Monthly Installment
1-12	$84,000.00	$7,000.00
13-36	$86,520.00	$7,210.00
37-60	$89,115.60	$7,426.30

7. **Additional Rent.** Taxes, insurance, and all other monetary obligations, other than Base Rent, of Tenant to Landlord under the terms of this Lease, whether or not specified as Additional Rent herein.

8. **Permitted Use.** Combined wood manufacturing and office space.

9. **Rent Payment Address.** Stephen Mallatt, Jr.
2950 E. Lucca Dr.
Meridian, ID 83642

10. **Address for Landlord for Notices.** Stephen Mallatt, Jr.
2950 E. Lucca Dr.
Meridian, ID 83642

11. **Address of Tenant for Notices.** Kyle's Custom Wood Shop, Inc.
10849 W. Emerald St.
Boise, ID 83713

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12. **Security Deposit.** Landlord my require Tenant to pay a security deposit in the amount of $8,000.00 at any time, upon written notice to Tenant. Tenant shall pay such deposit within seven (7) days of demand.

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13. **Guarantor.** N/A

14. **Brokers.** N/A

The foregoing basic lease information (the "**Basic Lease Information**") is incorporated into and made a material part of the Lease, dated as of the date written above, by and between Landlord and Tenant, to which this Basic Lease Information is attached. If there is any conflict between the Basic Lease Information and the Lease, the Lease shall control.

[Continued]

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Article 1
LEASE OF PREMISES

1.1 Leased Premises. Subject to the terms and conditions of this Lease, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises for the Lease Term, subject to earlier termination pursuant to any of the terms, covenants or conditions of this Lease or pursuant to law.

1.2 Acceptance of Premises. Tenant hereby acknowledges that except as expressly set forth in this Lease: (a) Tenant has had the opportunity to inspect the Premises and accepts the Premises in its "AS IS, WHERE IS" condition; (b) the Premises is acceptable for Tenant's intended Permitted Use; (c) neither Landlord, Landlord's Broker, nor any of Landlord's agents, has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease; and (d) TENANT EXPRESSLY WAIVES ANY WARRANTY OF CONDITION OR OF HABITABILITY OR SUITABILITY FOR OCCUPANCY, USE, HABITATION, FITNESS FOR A PARTICULAR PURPOSE, OR MERCHANTABILITY, EXPRESS OR IMPLIED, RELATING TO THE PREMISES. Landlord represents, warrants, and covenants to Tenant that to Landlord's knowledge as of the Commencement Date: (a) the roof and slab on the Building are in good working order; (b) the electrical, lighting, heating, plumbing and plumbing fixtures, and any air conditioning systems in the Building are in good working order and condition. Landlord warrants that, as of the Effective Date and to Landlord's knowledge, it has not received any notice of non-compliance with any governmental statutes, laws, ordinances, orders, decrees, decisions, rules and regulations applicable to the purpose, use and occupancy of the Premises. Notwithstanding the forgoing warrant, Landlord has received a building permit violation notice from the City of Boise, and a fire protection system testing past-due notice from Boise Fire Department related to the two small "lean-to" sheds constructed and located on the Premises. Both matters remain outstanding. The Landlord is presently working with the City of Boise and Boise Fire Department regarding resolutions of the building permit and fire suppression matters related to the two small "lean-to" sheds constructed and located on the Premises.

Article 2
TERM OF LEASE

2.1 Lease Term. The Lease Term is the period stated in the Basic Lease Information. The Lease Term commences on the Commencement Date and, unless earlier terminated in accordance with the terms and conditions of this Lease, expires on the last day of the last calendar month of the Lease Term. Notwithstanding the foregoing, from and after the date of full execution and delivery of this Lease, this Lease shall be in full force and effect, and Tenant shall keep, perform and observe all the terms, covenants, conditions, agreements, indemnities and other promises to be kept, performed and observed by Tenant with respect to the Premises (other than payment of Rent) prior to the Commencement Date.

2.2 Renewal Term. Tenant shall have the right, subject to the provisions hereinafter provided, to renew the Lease Term for one (1) period of five (5) years (each such period is herein referred to as a "**Renewal Term**") on the terms and provisions of this Section provided:

2.2.1 This Lease is in full force and effect and Tenant is not in material default in the performance of any of the terms, covenants and conditions herein contained, in respect to which notice of default has been given hereunder which has not been or is not being remedied in the time limited in this Lease, at the time of exercise of the right of renewal and at the time set for commencement of any Renewal Term and Rent and Additional Rent are paid in full, but Landlord shall have the right at its sole discretion to waive this condition;

2.2.2 Each Renewal Term shall be upon the same terms, covenants and conditions as provided in this Lease; provided, however, the annual Base Rent for the first year of each Renewal Term shall be increased by three (3%) percent, and shall be increased each subsequent two (2) years during any applicable Renewal Term by three (3%) percent (i.e., escalating 3% for year 1, 3% for years 2-3, and 3% for years 4-5).

2.2.3 That Tenant shall exercise its right to each Renewal Term provided herein by notifying Landlord in writing of its election to renew the Lease Term on or before the date that not more than twelve (12) months and not less than six (6) months prior to the expiration of the initial Lease Term or the then-current Renewal Term, as applicable (each, an "**Extension Notice**"). Within thirty (30) days after receipt of Tenant's Extension Notice, Landlord shall advise Tenant of the adjusted Base Rent for the first year of the applicable Renewal Term. Upon determination of the Prevailing Market Rental Rate for the applicable Renewal Term, the parties will execute an amendment to this Lease to establish and evidence such rate as the Base Rent for the Renewal Term.

2.2.4 Time is of the essence with respect to the rights granted by this Section 2.2.

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2.2.5 If Tenant does not exercise a Renewal Term, then all subsequent Renewal Terms shall automatically expire.

2.2.6 The right to renew the Lease Term granted in this Section 2.2 is personal to the original named Tenant and may be exercised only by the originally named Tenant, unless otherwise greed in advance by Landlord in writing.

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Article 3
RENTAL AND OTHER PAYMENTS

3.1 Base Rent. Tenant covenants and agrees to pay Base Rent, as set forth in the Basic Lease Information, to Landlord throughout the Lease Term.

3.2 Time and Manner of Rent Payments. Tenant shall pay Base Rent to Landlord in equal monthly installments, in the amounts set forth in the Basic Lease Information, in advance, commencing on the first (1st) day of each month during the Term, without notice or demand. Tenant will make all Base Rent payments to Landlord at the address specified in the Basic Lease Information or at such other place or in such other manner as Landlord may from time to time designate in writing. Landlord and Tenant will prorate, on a per diem basis, Base Rent for any partial month within the Lease Term. If Landlord shall at any time or times accept Rent to which Landlord is entitled hereunder after the same shall become due and payable, such acceptance shall not excuse a delay upon subsequent occasions, or constitute, or be construed as, a waiver of any or all of Landlord's rights hereunder. Tenant's obligation for the payment of Rent shall survive the expiration or sooner termination of this Lease.

3.3 Additional Rent. Tenant shall pay to Landlord all Additional Rent payable to Landlord pursuant to the terms and conditions of this Lease within thirty (30) days after written demand therefore from Landlord, unless a different time period is specified in this Lease. "**Additional Rent**" shall mean all monetary obligations, other than Base Rent, of Tenant to Landlord under the terms of this Lease, whether or not specified as Additional Rent herein. "**Rent**" shall mean Base Rent and Additional Rent collectively.

3.4 Delinquent Rental Payments. If any payment of Rent or any other charge or expense payable under this Lease is not received by Landlord within five (5) days of when due, Landlord my assess and Tenant shall pay to Landlord, as Additional Rent, interest on the overdue amount to Landlord at twelve percent (12%) per annum. Such overdue payment shall bear interest from the applicable due date, without regard to any grace period, until the date such payment is received by Landlord. Such payment shall be in addition to, and not in lieu of, any other remedy Landlord may have.

3.5 Net Lease. It is the intention of the parties that this Lease is a "triple net lease" and Landlord shall receive the Rent, undiminished from all operations, maintenance, and repairs relating to the Premises as set forth herein, which shall arise or become due during the Lease Term, all of which shall be paid by Tenant.

3.6 Independent Obligation. Notwithstanding any contrary term or provision of this Lease, Tenant's covenant and obligation to pay Rent is independent from any of Landlord's covenants, obligations, warranties or representations in this Lease. Tenant will pay Rent without any right of offset or deduction.

3.7 Application of Rent Payments. All monies paid by Tenant to Landlord shall be applied in the following order to such amounts then due and owing to Landlord pursuant to this Lease: (1) any unpaid Operating Costs, (2) to any utilities paid by Landlord on Tenant's behalf, (3) interest on any amounts due and owing to Landlord, (4) reasonable attorney fees and cost incurred by Landlord, (5) late fees, (6) other amounts owed to or paid or incurred by Landlord on Tenant's behalf (including but not limited to repairs, maintenance, taxes or insurance), and (7) then to Base Rent.

Article 4
OPERATING COSTS

4.1 Operating Costs. In addition to Base Rent, Tenant shall pay as Additional Rent, the Operating Costs (as defined below) for the operation, maintenance, and repair of the Premises as required by this Lease. Tenant shall directly pay and be responsible for all Operating Costs to the appropriate parties.

4.2 Definitions. The following terms shall have the respective meanings hereinafter specified:

4.2.1 "**Operating Costs**" shall mean all costs of operating, maintaining and repairing the Premises including, without limitation, the following: Property Taxes (as hereinafter defined); utilities, including without limitation, electricity, power, gas, water, sewer, lighting, heating, air conditioning and ventilating, which are not directly paid by Tenant; permits, licenses and certificates necessary to operate, manage and lease the Premises; insurance for the Premises, and the Landlords or property manager's personal property used solely in the operation of the Premises; supplies, tools, equipment and materials used in the operation, repair and maintenance of the Premises; accounting, legal, inspection, consulting, and other services; equipment rental (or installment equipment purchase or equipment financing agreements); management agreements (including the cost of any management fee actually paid

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thereunder, up to customary and reasonable amounts); wages, salaries and other compensation and benefits for all persons engaged in the operation or maintenance of the Premises; payments under any easement, operating agreement, declaration, restrictive covenant; window cleaning; trash and rubbish removal; seal coating, slurry coating, patching, re paving, resurfacing, overlaying and re striping parking facilities; roof repairs; and maintenance, repair of all electrical systems, lighting systems, lights, poles, bulbs and ballasts. Notwithstanding the foregoing, Operating Costs shall not include depreciation, interest and amortization on mortgages or other debt costs or ground lease payments, if any; real estate brokers' leasing commissions; improvements or alterations to tenant spaces; the cost of providing any service directly to and paid directly by Tenant; costs of any items to the extent Landlord receives reimbursement from insurance proceeds or from a third party (such proceeds to be deducted from Operating Costs in the year in which received); and any expense attributable to costs incurred by Landlord for any capital repairs, improvements or replacement to the Building, including those required by any change in the laws, ordinances, rules, regulations, or otherwise and that are required by any governmental or quasi-governmental authority having jurisdiction over the Property, provided that the cost of each such capital improvement, together with any financing charges incurred in connection therewith, shall be amortized over the useful life thereof, as determined by Landlord, and only that yearly portion shall be included in the Operating Costs for any applicable Lease year.

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4.2.2 “**Property Taxes**” shall mean all real and personal property taxes and assessments imposed by any governmental authority or agency on the Premises; any assessments levied in lieu of such taxes; any non-progressive tax on the rental of the Premises; and any other costs levied or assessed by, or at the direction of, any federal, state, or local government authority in connection with the use or occupancy of the Premises, less any tax refunds obtained as a result of an application for review thereof; but shall not include any net income, franchise, estate or inheritance taxes.

Article 5
USE OF PREMISES

5.1 Use of Premises. Tenant will use the Premises exclusively for the Permitted Use, consistent with current practices, and shall not use the Premises for any other purposes. In the event required, Tenant shall, at Tenant’s expense, apply for and obtain a Certificate of Occupancy with respect to the Premises, based upon the Permitted Use, from the appropriate authority prior to the Commencement Date.

5.2 Operation by Tenant. From and after the Effective Date, Tenant covenants and agrees that it will comply with all laws, ordinances, rules and regulations of governmental, public, private and other authorities and agencies, relating to Tenant’s use or occupancy of the Premises. Tenant also covenants and agrees it will not use the Premises in a manner which constitutes a nuisance or waste. Tenant shall promptly take and pay for all substantial and non-substantial actions necessary to comply with all laws regulating the use by Tenant of the Premises, including, without limitation, the OSH Act and the Americans with Disabilities Act of 1990, as amended. Tenant’s failure to comply with the requirements of this Section 5.2 shall be an Event of Default (as defined below).

5.3 Landlord’s Access. Landlord or its agents may enter the Premises at all reasonable times to inspect the Premises or to show the Premises to potential buyers, investors, tenants, or other parties, or for any other purpose Landlord deems necessary. Landlord shall give Tenant twenty-four (24) hours prior written notice of such entry, except in the case of an emergency. Any entry to the Premises obtained by Landlord by any of said means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of the Premises, or an eviction of Tenant from the Premises or any portion thereof. Landlord may place customary “For Sale” or “For Lease” signs on or about the Premises.

5.4 Signs. Tenant shall not install any sign, picture, advertisement, notice, lettering or decoration to be painted, affixed or displayed on any part of the exterior of the building, or anywhere in the interior of the Premises where the item is prominently visible from the exterior of the building, without, in each instance, first obtaining the prior written approval of Landlord not to be unreasonably withheld, which approval will include, but is not limited to, the color, size, location and method of installation of the requested signage. All Tenant signage and advertising must also comply with all rules and regulations of the City of Boise, and/or any other legal authority with such signage jurisdiction. All such signs will remain the property of Tenant and will be maintained in proper working order at all times by Tenant at Tenant’s sole cost and expense. At or before the expiration or earlier termination of the Term, Tenant will remove its sign(s) from the Premises and will promptly repair all damage caused by the removal.

Article 6
HAZARDOUS MATERIALS.

6.1 Compliance with Hazardous Materials Laws. Tenant will not cause any Hazardous Material to be brought upon, kept or used on the Premises in a manner or for a purpose prohibited by or that could result in liability under any Hazardous Materials Law. Tenant, at its sole cost and expense, will comply with all Hazardous Materials Laws and prudent industry practice relating to the presence, treatment, storage, transportation, disposal, release or management of Hazardous Materials in, on, under or about the Premises that Tenant brings upon, keeps or uses on the Premises and will notify Landlord of any and all Hazardous Materials Tenant brings upon, keeps or uses on the Premises (other than small quantities of office cleaning or other office supplies as are customarily used by a tenant in the ordinary course in a general office facility). On or before the expiration or earlier termination of this Lease, Tenant, at its sole cost and expense, will completely remove from the Premises (regardless whether any Hazardous Materials Law requires removal), in compliance with all Hazardous Materials Laws, all Hazardous Materials Tenant causes to be present in, on, under or about the Premises. Tenant will not take any remedial action in response to the presence of any Hazardous Materials in on, under or about the Premises, nor enter into any settlement agreement, consent decree or other compromise with respect to any claims, actions, demands, liabilities, damages, costs, penalties, forfeitures, losses or expenses (“**Claims**”) relating to or in any way connected with Hazardous Materials in, on, under or about the Premises without first notifying Landlord of Tenant’s intention to do so and affording Landlord reasonable opportunity to investigate, appear, intervene and otherwise assert and protect Landlord’s interest in the Premises. Tenant shall cooperate with Landlord and permit Landlord and all governmental authorities having jurisdiction reasonable access to the Premises for purposes of conducting any environmental monitoring required by applicable Hazardous Materials Laws.

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6.2 Notice Actions. Tenant will notify Landlord of any of the following actions affecting Landlord, Tenant or the Premises that result from or in any way relate to Tenant's use of the Premises immediately after receiving notice of the same: (a) any enforcement, clean-up, removal or other governmental or regulatory action instituted, completed or threatened under any Hazardous Materials Law; (b) any Claims made or threatened by any person relating to damage, contribution, liability, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Material; and (c) any reports made by any person, including Tenant, to any environmental agency relating to any Hazardous Material, including any complaints, notices, warnings or asserted violations. Tenant will also deliver to Landlord, as promptly as possible and in any event within five (5) business days after Tenant first receives or sends the same, copies of all Claims, reports, complaints, notices, warnings or asserted violations relating in any way to the Premises or Tenant's use thereof. Upon Landlord's written request, Tenant will promptly deliver to Landlord documentation acceptable to Landlord reflecting the legal and proper disposal of all Hazardous Materials removed or to be removed from the Premises. All such documentation will list Tenant or its agent as a responsible party and will not attribute responsibility for any such Hazardous Materials to Landlord.

6.3 Disclosure and Warning Obligations. Tenant acknowledges and agrees that all reporting and warning obligations required under Hazardous Materials Laws resulting from or in any way relating to Tenant's use of the Premises are Tenant's sole responsibility, regardless whether the Hazardous Materials Laws permit or require Landlord to report or warn.

6.4 Indemnification. Tenant releases and will indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless Landlord and Landlord's respective family members, officers, directors, partners, shareholders, members employees, successors and assigns from and against any and all Claims whatsoever arising or resulting, in whole or in part, directly or indirectly, from the presence, treatment, storage, transportation, disposal, release or management of Hazardous Materials in, on, under, upon or from the Premises (including water tables and atmosphere) that Tenant brings upon, keeps or uses on the Premises. Tenant's obligations under this Section 6.4 include, without limitation and whether foreseeable or unforeseeable, (a) the costs of any required or necessary repair, clean-up, detoxification or decontamination of the Premises; (b) the costs of implementing any closure, remediation or other required action in connection therewith as stated above; (c) the value of any loss of use and any diminution in value of the Premises; and (d) consultants' fees, legal fees, fines, administrative costs of a third party, experts' fees and response costs. The foregoing indemnification shall survive any assignment or termination of this Lease.

6.5 For purposes of this Article 6:

6.5.1 "**Hazardous Materials**" means any pollutant, contaminant, or hazardous, dangerous, or toxic chemicals, materials, or substances within the meaning of any applicable Environmental Law relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended or hereafter amended, including, without limitation, any material or substance which is: (a) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1317) or equivalent State Laws; (b) defined as a "hazardous waste" pursuant to § 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq. (42 U.S.C. § 6903) or equivalent State Laws; (c) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601 et seq. (42 U.S.C. § 9601) or equivalent State Laws; (d) petroleum; (e) asbestos or asbestos- containing materials; (f) polychlorinated biphenyls ("**PCBs**") or substances or compounds containing PCBs; (g) radon; (h) medical waste; and (i) petroleum products.

6.5.2 "**Environmental Law**" mean all laws: (a) relating to the environment, human health, or natural resources; (b) regulating, controlling, or imposing liability or standards of conduct concerning any Hazardous Materials; (c) relating to the investigation, response, clean up, remediation, prevention, mitigation, or removal of any Hazardous Materials necessary to comply with any Environmental Laws; and (d) requiring notification or disclosure of releases of Hazardous Materials or of the existence of any environmental conditions on or at the Premises, as any of the foregoing may be amended, supplemented, or supplanted from time to time.

Article 7
MAINTENANCE AND REPAIR

7.1 Landlord's Obligations. Landlord, at Landlord's cost and expense, shall maintain and keep in good repair the foundations, exterior walls, the roof and other structural portions of the Building. Notwithstanding the foregoing, any costs incurred by Landlord in the maintenance or repair of above identified elements of the Building caused by normal wear and tear shall be an Operating Cost.

Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time, not to exceed thirty (30) days (unless Landlord is not reasonably able to make such repairs within a 30-day period, then in such event Landlord will have an additional reasonable period of time to perform the repairs as long as Landlord

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commences the repairs within the 30-day period and thereafter diligently pursues the same to completion), after written notice of the need of such repairs or maintenance is given by Tenant to Landlord.

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7.2 Tenant's Obligations. Tenant shall at its expense maintain and repair all portions of the Premises and the equipment, systems or fixtures relating thereto, except to the extent specified in Section 7.1 above, at all times in good condition and repair, all in accordance with the laws of the State of Idaho and all health, fire, police and other ordinances, regulations and directives of governmental agencies having jurisdiction over such matters; provided, however, that Tenant's obligation for repairs and replacement of the HVAC system is capped at $3,500 per unit, per occurrence, during the Lease Term. Tenant shall also, at its expense: a) provide all janitorial services required for the Premises; b) separately contract for snow removal on the Premises; c) maintain and keep the landscaping on the Premises is a good and attractive appearance; and d) pay for and maintain the security system on the Premise. Tenant shall replace at Tenant's sole expense any glass that may be broken in the Premises, and elsewhere in the Building if done through any fault or negligence of Tenant or any Tenant Representative (except to the extent covered by insurance), with glass of the same size, specifications and quality, with signs thereon, if required. Tenant is responsible for any specialty items in place or installed in the Premises including, without limitation, lighting that is not Building-standard, or plumbing and access system installed by Tenant.

7.3 Damage Caused by Tenant. Notwithstanding any contrary provisions set forth in this Lease, any damage to the Premises, including but not limited to, exterior glass for the Building or its systems, or the improvements, caused by Tenant or a Tenant Representative (as defined below), shall be promptly repaired or replaced to or better than its former condition in a good and workmanlike manner by Tenant, as required and approved by Landlord, at Tenant's expense. Tenant shall not be responsible for the cost of such damage to the extent it is covered by insurance and any subrogation claims shall be waived to the extent such waiver does not invalidate coverage. The term "**Tenant Representative**" shall mean any shareholder, officer, director, member, partner, employee, agent, licensee, assignee, sublessee or invitee of Tenant, or any third party other than Landlord.

7.4 Tenant to Keep Premises Clean. In addition to the foregoing, and not in limitation of it, Tenant shall also, at Tenant's expense, undertake all replacement of all plate glass and light bulbs, florescent tubes and ballasts, and decorating, redecorating and cleaning of the interior of the Building, and shall keep and maintain the Premises in a clean condition, free from debris, trash, refuse, snow and ice.

7.5 Tenant's Negative Covenants. Tenant shall not injure, deface, permit waste nor otherwise harm any part of the Premises, permit any nuisance at the Premises, permit the emission of any objectionable noise or odor from the Premises, place a load on the floor on the Premises exceeding the floor load per square foot the floor was designed to carry, or install, operate or maintain any electrical equipment in the Premises that shall not bear an underwriters approval.

7.6 Maintenance/Service Contract. Tenant may (or upon written demand by Landlord), at Tenant's expense, enter into a maintenance/service contract with a maintenance contractor, which shall provide for regularly scheduled servicing of all hot water, heating, ventilation and air conditioning systems and equipment in the Premises. The maintenance contractor and the maintenance/ service contract shall be subject to the approval of Landlord, which approval shall not be unreasonably withheld. The maintenance/ service contract shall include, without limitation, all servicing suggested by the manufacturer, within the operations/maintenance manual pertaining to such system and/or equipment, and shall be effective (and a copy thereof delivered to Landlord) no later than thirty (30) days after the Commencement Date. Scope of frequency for such maintenance/service shall be approved by Landlord, at Landlord's sole discretion. Landlord shall be allowed to contract directly for such maintenance/service contract and Tenant shall be responsible for such costs as an Operating Expense.

Article 8
ALTERATIONS

8.1 Tenant shall not make any alterations, additions or improvements (collectively, "**Alterations**") in or to the Premises, including, but not limited to the Building exterior or interior, HVAC, and interior build-out, or make changes to locks on doors or add, disturb or in any way change any plumbing or wiring without obtaining the prior written consent of Landlord, which may be withheld, conditioned, or delayed in Landlord's sole and absolute discretion.

8.2 All Alterations shall be made at Tenant's sole expense. All work with respect to any Alterations shall be performed in a good and workmanlike manner, shall be of a quality equal to or exceeding the then-existing construction standards for the Premises and must be of a type, materials and finish (including floor coverings and ceilings) customary for general warehousing use and the Premises. Alterations shall be diligently prosecuted to completion to the end that the Premises shall be at all times a complete unit except during the period necessarily required for such work. All Alterations shall be made strictly in accordance with all laws, regulations and ordinances relating thereto. Tenant shall secure all licenses and permits necessary for any Alterations prior to the commencement of such work and shall give Landlord reasonable written notice prior to the commencement of any Alterations and shall allow Landlord to enter the Premises and post appropriate notices to avoid liability to contractors or material suppliers for payment for any Alterations.

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8.3 All Alterations installed in or attached to the Premises by Tenant (except trade fixtures) shall, at the option of Landlord, upon the expiration or earlier termination of the Lease, belong to and become the property of Landlord without any payment from Landlord and if such option is exercised, shall be surrendered by Tenant in good order and condition as part of the Premises upon the expiration or sooner termination of the Lease Term. At Landlord's request, Tenant shall restore the Premises to the condition it was in prior to Tenant's occupancy, such restoration to be completed on or before the expiration of the Lease Term, at Tenant's expense. Tenant shall not use or penetrate the roof of the building on the Premises for any purpose whatsoever without the prior written consent of Landlord, which consent may be withheld, conditioned, or delayed by Landlord, in Landlord's sole and absolute discretion. Landlord reserves the right to require Tenant to remove any or all of its trade fixtures and restore the Premises to its original condition.

8.4 Landlord shall have no obligation to pay any expenses or administrative fees relating to any Alterations.

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8.5 Tenant shall pay all costs for the work done by or for Tenant on the Premises, and Tenant shall keep the Premises free and clear of all liens of whatever kind or nature. Tenant shall indemnify, defend, save and hold Landlord harmless from and against any and all liability, loss, damage, cost, attorneys' fees and all other expenses on account of any prohibited lien.

8.6 Any additional or other upgrades, replacements or alternations to the Premises required as part of the Alterations ("**Other Alterations**") shall be performed by Tenant, at Tenant's sole cost and expense, and in accordance with the provisions of this Article 8.

Article 9
UTILITIES

9.1 Tenant shall, at Tenant's own expense, obtain all utility services supplying the Premises, including but not limited to electricity, water, sewer, standby water for sprinkler, gas, telephone and all other utilities and other communication services, in its own name, effective as of the commencement of the Lease, and shall pay the cost directly to the applicable utility, including any fine, penalty, interest or cost that may be added thereto for non-payment thereof.

9.2 Tenant shall not install any equipment that can exceed the capacity of any utility facilities and if any equipment installed by Tenant requires additional utility facilities, the same shall be installed at Tenant's expense in compliance with all code requirements and plans and specifications and must be approved in writing by Landlord.

9.3 Landlord shall not be liable to Tenant for any loss or damage caused by or resulting from any variation, interruption or failure of said services unless caused by the negligent or wrongful act or omission of Landlord; and no temporary interruption or failure of such services for any reason shall be deemed a breach or default of this Lease, an eviction of Tenant, or relieve Tenant from any of Tenant's obligations hereunder including Tenant's obligation to pay Rent.

Article 10
INSURANCE

10.1 Tenant's Insurance Obligations. Tenant, at all times during the Lease Term and during any early occupancy period, at Tenant's sole cost and expense, will maintain the following insurance:

10.1.1 Liability Insurance. Tenant shall, at Tenant's sole cost and expense, obtain and keep in force during the Lease Term a policy of commercial general liability insurance, including blanket contractual liability insurance, covering Tenant's use of the Premises, with such coverages and limits of liability as Landlord may reasonably require, but not less than a $1,000,000 combined single limit with a $2,000,000 general aggregate limit (which general aggregate limit may be satisfied by an umbrella liability policy) for bodily injury or property damage; however, such limits shall not limit Tenant's liability hereunder. The policy shall name Landlord and any other associated or affiliated entity as their interests may appear and at Landlord's request, any mortgagee(s), as additional insureds, shall be written on an "occurrence" basis and not on a "claims made" basis and shall be endorsed to provide that it is primary to and not contributory to any policies carried by Landlord, as required by written contract, and to provide that it shall not be cancelable or reduced without at least thirty (30) days prior notice to Landlord with ten (10) days' notice for non-payment of premium. The insurer shall be authorized to issue such insurance, licensed to do business and admitted in the state in which the Premises is located and rated at least "A" in the most current edition of Best's Insurance Reports. Tenant shall deliver to Landlord on or before the Commencement Date or any earlier date on which Tenant accesses the Premises, and at least ten (10) days prior to the date of each policy renewal, a certificate of insurance evidencing such coverage.

10.1.2 Property Insurance. Tenant shall obtain and maintain insurance coverage for on all of Tenant's personal property, trade fixtures, , inventory, goods, personal property (including also property under the care, custody or control of Tenant) and business interests which may be located in, upon or about the Premises, at Tenant's sole cost and expense, for the benefit of Tenant against loss or damage by fire and such other risk or risks of a similar or dissimilar nature as are now, or may in the future be, customarily covered with respect to a tenant's machinery, equipment, furniture, fixtures, inventory, goods, personal property and business located in a building similar in construction, general location, use, occupancy and design to the Premises, including, but without limiting the generality of the foregoing, windstorms, hail, explosions, vandalism, , malicious mischief, civil commotion and such other coverage as Tenant may deem appropriate or necessary.

10.1.3 Worker's Compensation. Tenant shall obtain and maintain during the Lease Term workers' compensation insurance as is required by the laws of the state in which the Premises is located.

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10.1.4 Intentionally Deleted.

10.1.5 Additional Insurance. Any other form or forms of insurance as Landlord or Landlord's mortgagees may reasonably require from time-to-time, in form and amounts, and for insurance risks against which a prudent tenant of a comparable size and in a comparable business would protect itself.

10.2 Landlord's Insurance Obligations. Landlord will at all times during the Lease Term maintain the following insurance:

10.2.1 Property Insurance. Property insurance on the Premises in an amount not less than the full insurable replacement cost of the Premises insuring against loss or damage by fire and other casualty. Landlord may maintain such insurance in whole or in part under blanket policies. Such insurance will not cover or be applicable to any personal property or trade fixtures of Tenant within the Premises or otherwise located on the Premises.

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10.2.2 Payment of Premiums. The cost of the premiums for the insurance policies maintained by Landlord shall be paid by Tenant as equal monthly payments as part of the Operating Cost. Premiums for policy periods commencing before, and ending after, the Lease Term shall be prorated.

10.3 Tenant's Failure to Insure. Notwithstanding any contrary language in this Lease and any notice and cure rights this Lease provides Tenant, if Tenant fails to obtain and maintain the insurance required under this Lease, Landlord may, but is not obligated to, after giving Tenant a three (3) business day cure right to so obtain same, obtain such insurance for Landlord's benefit. In such event, Tenant will pay to Landlord, all costs and expenses Landlord incurs obtaining such insurance. Landlord's exercise of its rights under this Section 10.3 does not relieve Tenant from any default under this Lease.

10.4 No Limitation. Landlord's establishment of minimum insurance requirements is not a representation by Landlord that such limits are sufficient and does not limit Tenant's liability under this Lease in any manner.

10.5 Waiver of Subrogation. To the extent that the parties may legally so agree, neither Landlord nor Tenant shall be liable by way of subrogation or otherwise to the other party, or to any insurance company insuring the other party for any loss or damage to any of the property of Landlord or Tenant, as the case may be, which loss or damage is covered by any insurance policies carried by the parties and in force at the time of any such damage, even though such loss or damage might have been occasioned by the negligence of Landlord or Tenant, and the party hereto sustaining such loss or damage so protected by insurance waives its rights, if any, of recovery against the other party hereto to the extent and amount that such loss is covered by such insurance. This release shall be in effect only so long as the applicable insurance policies do not contain a clause or endorsement that causes the aforementioned waiver to reduce the right of the insured to recover under such policies.

10.6 Indemnity. Tenant shall indemnify, defend and hold Landlord harmless from all Claims arising from (a) Tenant's use of the Premises during the Lease Term or the conduct of its business or any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises during the Lease Term, except to the extent (if any) such claim arises from the negligence or intentional misconduct of Landlord, its agents, employees, guests or invitees, (b) any breach or default in the performance of any obligation to be performed by Tenant under the terms of this Lease, (c) any act, neglect, fault or omission of Tenant or of its agents or employees, guests or invitees during the Lease Term, and (d) all reasonable costs, attorneys' fees, expenses and liabilities incurred by Landlord relating to or resulting from such Claims or any action or proceeding brought thereon, except to the extent arising from the act, omission or negligence of Landlord, its agents, employees, guests or invitees.

Article 11
DEFAULT AND REMEDIES

11.1 Event of Default. The occurrence of any of the following constitutes an "**Event of Default**" by Tenant under this Lease:

11.1.1 Failure to Pay Rent. Tenant fails to pay Rent as and when due.

11.1.2 Failure to Pay Other Amounts. Tenant fails to make any payment of any other sum or charge payable under this Lease, other than Rent, or any part thereof when and as the same shall become due and payable and such default continues for a period of ten (10) days after receipt by Tenant of notice from Landlord specifying the default.

11.1.3 Failure to Perform. Tenant breaches or fails to perform any of Tenant's nonmonetary obligations under this Lease and the breach or failure continues for a period of thirty (30) days after Landlord notifies Tenant of Tenant's breach or failure; provided that if Tenant cannot reasonably cure its breach or failure within a 30-day period, Tenant's breach or failure is not an Event of Default if Tenant commences to cure its breach or failure within the 30 day period and thereafter diligently pursues the cure and effects the cure within a period of time that does not exceed ninety (90) days after the expiration of the 30-day period. If Tenant has been given notice of the same or a substantially similar violation or failure on two (2) or more other occasions within the twelve (12) month period preceding the most recent violation or failure, regardless whether such earlier violations or failures were cured within the allowed cure period, then the current violation shall be an Event of Default without any further notice or cure period being afforded.

11.1.4 Guaranty Default. Guarantor's default under any guaranty now or after the Effective Date securing all or any part of Tenant's obligations under this Lease.

11.1.5 Other Defaults. Tenant makes a general assignment or general arrangement for the benefit of creditors; (b) a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by Tenant; (c) a petition for adjudication of

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bankruptcy or for reorganization or rearrangement is filed against Tenant and is not dismissed within sixty (60) days; (d) a trustee or receiver is appointed to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (e) substantially all of Tenant's assets, substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure not discharged within thirty (30) days. If a court of competent jurisdiction determines that any act described in this Section 11.1.5 does not constitute an Event of Default, and the court appoints a trustee to take possession of the Premises (or if Tenant remains a debtor in possession of the Premises) and such trustee or Tenant Transfers Tenant's interest hereunder, then Landlord is entitled to receive, as Additional Rent, the amount by which the Rent (or any other consideration) paid in connection with the Transfer exceeds the Rent otherwise payable by Tenant under this Lease.

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11.2 Remedies. In the event of any Event of Default, Landlord may, at its option, exercise any and all of the remedies listed below. No such remedy herein or otherwise conferred upon or reserved to Landlord shall be considered exclusive of any other remedy (except where inconsistent), but the same shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity, and every power and remedy given by the Lease to Landlord may be exercised from time to time and as often as the occasion may rise or may be deemed expedient

11.2.1 Landlord may, without terminating this Lease, enter upon the Premises, without being liable for prosecution or any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease, in which event Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in complying with Tenant's obligation under this Lease and Landlord shall not be liable for any damages resulting to Tenant from such action, unless caused by the negligence or intentional misconduct of Landlord.

11.2.2 Landlord may, if it elects to do so, bring suit for the collection of rents and/or any damages resulting from Tenant's default without entering into possession of the Premises or terminating this Lease.

11.2.3 Terminate Tenant's right to possess the Premises by any lawful means with or without terminating this Lease, in which event Tenant will immediately surrender possession of the Premises to Landlord. Unless Landlord specifically states that it is terminating this Lease, Landlord's termination of Tenant's right to possess the Premises is not to be construed as an election by Landlord to terminate this Lease or Tenant's obligations and liabilities under this Lease. In such event, this Lease continues in full force and effect (except for Tenant's right to possess the Premises) and Tenant continues to be obligated for and must pay all Rent as and when due under this Lease. If Landlord terminates Tenant's right to possess the Premises, Landlord is not obligated to but may re- enter the Premises and remove all persons and property from the Premises. Landlord may store any property Landlord removes from the Premises in a public warehouse or elsewhere at the cost and for the account of Tenant. Upon such re-entry, Landlord is not obligated to but may relet all or any part of the Premises to a third party or parties for Tenant's account. Tenant is immediately liable to Landlord for all Re-entry Costs and must pay Landlord the same within five (5) days after Landlord's notice to Tenant. Landlord may relet the Premises for a period shorter or longer than the remaining Term. If Landlord relets all or any part of the Premises, Tenant will continue to pay Rent when due under this Lease and Landlord will refund to Tenant the Net Rent Landlord actually receives from the reletting up to a maximum amount equal to the Rent Tenant paid that came due after Landlord's reletting. If the Net Rent Landlord actually receives from reletting exceeds such Rent, Landlord will apply the excess sum to future Rent due under this Lease. Landlord may retain any surplus Net Rent remaining at the expiration of the Term.

For purposes of this Section 11.2:

- **"Re-entry Costs"** means all reasonable costs and expenses Landlord incurs re-entering or reletting all or any part of the Premises, including, without limitation, all costs and expenses Landlord incurs (a) maintaining or preserving the Premises after an Event of Default; (b) recovering possession of the Premises, removing persons and property from the Premises (including, without limitation, court costs and reasonable attorneys' fees) and storing such property; (c) reletting, renovating, restoring or altering the Premises; and (d) real estate commissions, advertising expenses, legal fees and similar expenses paid or payable in connection with reletting all or any part of the Premises. "Re-entry Costs" also includes the value of free rent and other concessions Landlord gives in connection with re-entering or reletting all or any part of the Premises.

- **"Net Rent"** means all rental Landlord actually receives from any reletting of all or any part of the Premises, less any indebtedness from Tenant to Landlord other than Rent (which indebtedness is paid first to Landlord) and less the Re-entry Costs (which costs are paid second to Landlord)

11.2.4 Landlord may terminate this Lease after three (3) days' written notice to Tenant and this Lease shall terminate on the date specified in such notice. Tenant shall quit and surrender the Premises by said date, failing which, Landlord may enter upon the Premises immediately or at any subsequent time without additional notice or demand (which additional notice or demand is hereby expressly waived by Tenant) without being liable for prosecution of any claim for damages therefor, and expel Tenant and those claiming under Tenant and remove their effects without being guilty of any manner of trespass. Tenant agrees that if Landlord shall cause Tenant's goods or effects to be removed from the Premises pursuant to the terms hereof or of any court order, Landlord's act of so removing such goods or effects shall be deemed to be the act of and for the account of Tenant. If this Lease is so terminated, Tenant shall be liable for and shall pay to Landlord the sum of all rental and other indebtedness accrued to date of such termination, plus, as damages, an amount equal to the present value of (1) the Base Rent for the remaining portion of the Term (had the Term not been terminated prior to the date of expiration stated in the Basic Lease Terms); plus (2) the unamortized balance of any reasonable rent abatements, brokers' fees and

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commissions, attorneys' fees and costs, and reimbursements, construction allowances and other costs incurred by Landlord to improve the Premises under this Lease, discounted at a per annum rate equal to the discounted rate of the Federal Reserve Bank of San Francisco plus one percentage point; less (3) any rent actually received by Landlord in leasing the Premises at reasonable market rates. It is agreed by the parties that the actual damages which might be sustained by Landlord by reason of Tenant's default hereunder are uncertain and difficult to ascertain, and that the foregoing measure of damages is fair and reasonable.

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11.2.5 Tenant will reimburse and compensate Landlord on demand and as Additional Rent for any actual loss Landlord incurs in connection with, resulting from or related to an Event of Default, regardless whether suit is commenced or judgment is entered. Such loss includes all reasonable legal fees, costs and expenses (including paralegal fees and other professional fees and expenses) Landlord incurs investigating, negotiating, restoring, settling or enforcing any of Landlord's rights or remedies or otherwise protecting Landlord's interests under this Lease. In addition to the foregoing, Landlord is entitled to reimbursement of all of Landlord's reasonable fees, expenses and damages, including, but not limited to, reasonable attorneys' fees and paralegal and other professional fees and expenses, Landlord incurs in connection with protecting its interests in any bankruptcy or insolvency proceeding involving Tenant, including, without limitation, any proceeding under any chapter of the Bankruptcy Code; by exercising and advocating rights under Section 365 of the Bankruptcy Code; by proposing a plan of reorganization and objecting to competing plans; and by filing motions for relief from stay. Such fees and expenses are payable on demand, or, in any event, upon assumption or rejection of this Lease in bankruptcy.

11.2.6 Tenant waives and releases all Claims Tenant may have resulting from Landlord's re-entry and taking possession of the Premises by any lawful means and removing and storing Tenant's property as permitted under this Lease, regardless whether this Lease is terminated, and, to the fullest extent allowable under applicable laws, Tenant releases and will indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold harmless the Landlord from and against any and all Claims occasioned by Landlord's lawful re-entry of the Premises and disposition of Tenant's property. No such reentry is to be considered or construed as a forcible entry by Landlord. Landlord will not be liable to hold or store Tenant's property for more than thirty (30) days.

11.3 No Waiver. Except as specifically set forth in this Lease, no failure by Landlord or Tenant to insist upon the other party's performance of any of the terms of this Lease or to exercise any right or remedy upon a breach thereof, constitutes a waiver of any such breach or of any breach or default by the other party in its performance of its obligations under this Lease. Except as specifically set forth in this Lease, none of the terms of this Lease to be kept, observed or performed by a party to this Lease, and no breach thereof, are waived, altered or modified except by a written instrument executed by the other party. One or more waivers by a party to this Lease is not to be construed as a waiver of a subsequent breach of the same covenant, term or condition.

Article 12
DAMAGE AND DESTRUCTION

12.1 Notice of Casualty. If the Building shall be damaged or destroyed by any peril, including but not limited to, fire, wind storm or other casualty (each such occurrence, a "**Casualty**"), at any time, whether covered by insurance to be provided under this Lease, or not, Tenant shall give prompt notice thereof to Landlord and this Lease shall continue in full force and effect.

12.2 Tenantable Within 270 Days. Except as provided in Section 12.3, if fire or other casualty renders the whole or any material part of the Building untenantable and Landlord determines (in Landlord's reasonable discretion) that it can make the Building tenantable within 270 days after the date of the casualty, then Landlord will notify Tenant that Landlord will within the 270 day period to repair and restore the Building to as near their condition prior to the casualty as is reasonably possible. Landlord will provide the notice within forty-five (45) days after the date of the casualty. In such case, this Lease remains in full force and effect, Rent for the period during which the Building is untenantable shall abate pro rata (based upon the untenantable portion of the Building as compared with the entirety of the Building).

12.3 Not Tenantable Within 270 Days. If fire or other casualty renders the whole or any material part of the Building untenantable and Landlord determines (in Landlord's reasonable discretion) that it cannot make the improvements on the Premises tenantable within 270 days after the date of the casualty, then Landlord will so notify Tenant within forty-five (45) days after the date of the casualty and may, in such notice, terminate this Lease effective on the date of Landlord's notice. If Landlord does not terminate this Lease as provided in this section, Tenant may terminate this Lease by notifying Landlord within thirty (30) days after the date of Landlord's notice, which termination will be effective thirty (30) days after the date of Tenant's notice.

12.4 Termination. In the event that all or a substantial part of the Building is rendered unusable in the last one (1) year of the Lease Term, or if the restoration of the Building to its prior use and character is reasonably estimated to take more than 270 days, then Tenant may elect to terminate this Lease, by a notice to Landlord given not later than 30 (thirty) days following such Casualty. If Tenant makes such election, the term shall expire on the sixtieth (60th) day after notice of such election and Tenant shall vacate the Premises and surrender the same to Landlord.

12.5 Insufficient Proceeds. If this Article 12 obligates Landlord to repair damage to the improvements on the Premises caused by fire or other casualty and Landlord does not receive sufficient insurance proceeds (excluding any deficiency caused by the amount of

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any policy deductible) to repair all of the damage, or if Landlord's lender does not allow Landlord to use sufficient proceeds to repair all of the damage, then Landlord, at Landlord's option, by notifying Tenant within sixty (60) days after the casualty, may terminate this Lease effective on the date of Landlord's notice.

12.6 Landlord's Repair Obligations. If this Lease is not terminated under Sections 12.2 through 12.4 following a fire or other casualty, then Landlord will repair and restore the Building to as near their condition prior to the fire or other casualty as is reasonably possible with all commercially reasonable diligence and speed and Rent for the period during which the improvements on the Premises are untenantable will abate pro rata (based upon the untenantable portion of the improvements on the Premises as compared with the entirety of the improvements on the Premises). In no event is Landlord obligated to repair or restore any special equipment or improvements installed by Tenant, or any personal or other property of Tenant.

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Article 13
EMINENT DOMAIN

13.1 Termination of Lease. Should title or possession of all of the Premises be taken in condemnation proceedings by a government agency, governmental body or private party ("**Condemning Authority**") under the exercise of the right of eminent domain ("**Taking**"), Landlord will notify Tenant and Landlord and Tenant will reasonably determine whether the Taking will render the Premises unsuitable for Tenant's intended purposes. If Landlord and Tenant conclude that the Taking will render the Premises unsuitable for Tenant's intended purposes, Landlord and Tenant will document such determination and this Lease will terminate upon such date Condemning Authority takes title or possession of the Premises. Tenant will pay Rent to the date of termination.

13.2 Landlord's Repair Obligations. If this Lease does not terminate with respect to the entire Premises under Section 13.1 and the Taking includes a portion of the improvements on the Premises, this Lease automatically terminates as to the portion of the Premises taken upon such vesting of title or taking of possession and Landlord will, at its sole cost and expense, restore the remaining portion of the improvements, except any specialized improvements for fixtures installed for Tenant's use of the Premises, on the Premises to a complete architectural unit with all commercially reasonable diligence and speed and will reduce the Base Rent for the period after the date the Condemning Authority takes possession of the portion of the Premises taken to a sum equal to the product of the Base Rent provided for in this Lease multiplied by a fraction, the numerator of which is the square footage of the Premises after the Taking and after Landlord restores the Premises to a complete architectural unit, and the denominator of which is the square footage of the Premises prior to the Taking. Tenant's obligation to pay Rent will abate on a proportionate basis with respect to that portion of the Premises remaining after the Taking that Tenant is unable to use during Landlord's restoration for the period of time that Tenant is unable to use such portion of the Premises.

13.3 Tenant's Participation. Landlord is entitled to receive and keep all damages, awards or payments resulting from or paid on account of a Taking. Accordingly, Tenant waives and assigns to Landlord any interest of Tenant in any such damages, awards or payments. Tenant may prove in any condemnation proceedings and may receive any separate award for damages to or condemnation of Tenant's movable trade fixtures and equipment and for moving expenses; provided however, that Tenant has no right to receive any award for its interest in this Lease or for loss of leasehold.

Article 14
CREDITORS; ESTOPPEL CERTIFICATES

14.1 Subordination. This Lease, all rights of Tenant in this Lease, and all interest or estate of Tenant in the Premises, is subject and subordinate to the lien of any to any deed of trust or mortgage encumbering all or any portion of the Premises, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made or recorded (each a "**Mortgage**"). Tenant, on Landlord's demand, will execute and deliver to Landlord or to any other person Landlord designates any commercially reasonable instruments, releases or other documents reasonably required to confirm the self- effectuating subordination of this Lease as provided in this Section 14.1 to the lien of any Mortgage. Tenant shall execute and deliver promptly any certificate or instrument, including, but not limited to, a tenant estoppel and assignment of lease and rents, in recordable form, that Landlord may request in confirmation of such subordination. The lien of any existing or future Mortgage will not cover Tenant's moveable trade fixtures or other personal property of Tenant located in or on the Premises.

14.2 Nondisturbance. So long as no default exists under this Lease which at such time would then permit Landlord to terminate this Lease or to exercise any dispossess remedy provided for therein, (a) Tenant will not be made a party in any action or proceeding to foreclose the Mortgage or to remove or evict Landlord from the Premises; (b) Tenant will not be evicted or removed from the Premises nor will Tenant's rights under the Lease be disturbed or Tenant's possession or right to possession of the Premises be terminated or disturbed; and (c) the Mortgagee, upon succeeding to Landlord's interest in the Premises, but limited to the time such Mortgagee holds Landlord's interest in the Premises, will recognize this Lease for the full term hereof (including any and all extensions or renewals).

14.3 Attornment. If any ground lessor, holder of any Mortgage at a foreclosure sale or any other transferee acquires Landlord's interest in this Lease or the Premises, Tenant will attorn to the transferee of or successor to Landlord's interest in this Lease or the Premises (as the case may be) and recognize such transferee or successor as landlord under this Lease. In no event shall any such transferee of or successor to Landlord's interest in this Lease or the Premises be bound by (i) any payment of rent or additional rent for more than one (1) month in advance, or (ii) any security deposit or the like not actually received by such successor, or (iii) any amendment or modification in this Lease made without the consent of the applicable holder of any Mortgage, or (iv) any construction obligation, free rent, or other concession or monetary allowance, or (v) any set-off, counterclaim, or the like otherwise available against any prior landlord (including Landlord), or (vi) any act or omission of any prior landlord (including Landlord).

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14.4 Estoppel Certificate. Upon Landlord's written request, Tenant will execute, acknowledge and deliver to Landlord a written statement in form satisfactory to Landlord certifying: (a) that this Lease is unmodified and in full force and effect (or, if there have been any modifications, that the Lease is in full force and effect, as modified, and stating the modifications); (b) that this Lease has not been canceled or terminated; (c) the last date of payment of Rent and the time period covered by such payment; (d) whether there are then existing any breaches or defaults by Landlord under this Lease known to Tenant, and, if so, specifying the same; (e) specifying any existing claims or defenses in favor of Tenant against the enforcement of this Lease; and (f) such other factual statements as Landlord, any lender, prospective lender, investor or purchaser may reasonably request. Tenant will deliver the statement to Landlord within ten (10) business days after Landlord's request. Landlord may give any such statement by Tenant to any lender, prospective lender, investor or purchaser of all or any part of the Premises and any such party may conclusively rely upon such statement as true and correct.

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Article 15
ASSIGNMENT AND SUBLEASING

15.1 Relationship of Parties. Nothing contained in this Lease may be construed as creating the relationship of principal and agent, debtor and creditor, partnership, or joint venture. Neither the method of computation of Rent nor any other provision of this Lease, nor any act of the parties, will create any relationship other than that of landlord and tenant.

15.2 Successors and Assigns. This Lease shall benefit and bind the successors and assigns of Landlord and Tenant.

15.3 Assignment and Subletting.

15.3.1 Consent Required. Without Landlord' express written consent, which consent shall not be unreasonably withheld or delayed, Tenant shall not directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge, or otherwise transfer or hypothecate any of its interest in or rights with respect to the Premises, including a transfer of a controlling ownership interest in Tenant or of all or substantially all of Tenant's assets (collectively, "**Assignment**"), or permit any portion of the Premises to be occupied by anyone other than Tenant or sublet all or any portion of the Premises or transfer a portion of its interest in or rights with respect to the Premises (collectively, "**Sublease**"). Without limiting Landlord's right to withhold consent for any other reason deemed "reasonable", Landlord will have reasonable basis to withhold its consent if Tenant tenders for Landlord's approval an Assignment or Sublease of the Premises or any part of the Premises to a proposed assignee/subtenant who proposes to pay a base rent lower than the Base Rent payable under this Lease, who has been in negotiations with Landlord for other space owned by Landlord, who has been in litigation with Landlord within the past five years, whose use is unknown, whose financial condition indicates that it may not be able to perform its leasehold obligations or who, in the context of an assignment, does not assume the obligations of Tenant, who is of poor reputation in the local business community, who is a user of hazardous materials, or who has been convicted of any crime of moral turpitude or involving securities or tax law violations. Tenant will pay to Landlord 100% of all profit (other than profit from the sale of the business and other than as may be set forth below) derived by Tenant from such Assignment or Sublease.

15.3.2 Continuing Liability; Default; Waiver. Tenant shall not be relieved of any obligation to be performed by the tenant under this Lease, including the obligation to obtain Landlord's consent to any other Assignment or Sublease, regardless of whether Landlord consented to any Assignment or Sublease. Any Assignment or Sublease that fails to comply with this Section 15.3 is void and of no force or effect and, at Landlord's option, will constitute an Event of Default by Tenant under this Lease.

15.3.3 Assumption by Transferee. Each transferee under an Assignment shall assume all obligations of Tenant under this Lease and shall be and remain jointly and severally liable with Tenant for the payment of Rent and other charges, and for the performance of all other provisions of this Lease. Each Transferee under a Sublease shall be subject to this Lease.

15.4 Landlord's Transfer. Landlord may sell, assign, or otherwise transfer all or any part of its interest in the Premises without the consent of Tenant. If Landlord should sell or transfer Landlord's interest in the Premises, other than a transfer for security purposes only, then effective with the date of the sale or transfer, Landlord shall be automatically released and discharged from any further obligations and responsibilities under this Lease (except those already accrued).

Article 16
QUIET ENJOYMENT

Landlord covenants to control its activities and personnel such that if and so long as Tenant pays Rent as and when due and keeps, observes and fully satisfies all other covenants, obligations and agreements of Tenant under this Lease, Tenant shall hold and enjoy the Premises peaceably and quietly, subject to the provisions of this Lease.

Article 17
TERMINATION OF LEASE

17.1 Condition. Upon the expiration or earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord. Tenant shall leave the Premises in as good repair and condition including but not limited to damage to walls repaired/patched, Premises cleaned, windows washed, debris removed from Premises, as the Premises are in on the Commencement Date of this Lease, reasonable wear and tear, casualty and repairs that are Landlord's obligation, excepted. Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all furniture, equipment, business and trade fixtures, free- standing cabinetwork, movable partitions and other articles of personal property owned by Tenant and all similar items of any other persons

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claiming under Tenant. Tenant shall, before expiration of termination, repair all damage to the Premises resulting from such removal and otherwise restore the Premises. Notwithstanding the foregoing, Tenant shall be obligated to remove any buildings, sheds, barns, canopies or similar fixtures owned by Tenant upon the Premises.

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17.2 Holding Over. If Tenant possesses the Premises after the Lease Term expires or is otherwise terminated without executing a new lease, Tenant is deemed to be occupying the Premises without claim of right (but subject to all terms and conditions of this Lease) on a month to month basis and, in addition to Tenant's liability for failing to surrender possession of the Premises as provided in Section 17.1, Tenant will pay Landlord a charge for each day of occupancy after expiration of the Term in an amount equal to one hundred fifty percent (150%) of Tenant's then-existing Basic Rent (on a daily basis) plus one hundred percent (100%) of all Additional Rent in effect during the last month of the Lease Term (subject to increases thereafter as determined by Landlord in accordance with the provisions of this Lease).

17.3 Indemnity. If Tenant does not surrender the Premises upon the expiration or earlier termination of this Lease, or in the condition required in this Lease, Tenant releases and will indemnify, defend (with counsel reasonably acceptable to Landlord) protect and hold harmless Landlord from and against any Claim resulting from Tenant failure to comply with this Article, including, without limitation, any Claim made by any succeeding occupant.

17.4 Abandoned Property. Any property of Tenant not removed or in the process of being removed by Tenant within seventy-two (72) hours of vacating the Premises shall be considered abandoned and Landlord may without liability reuse or remove and dispose of any or all of such items in any manner. Tenant appoints Landlord as Tenant's agent to remove, at Tenant's sole cost and expense, all of Tenant's property from the Premises upon termination of this Lease and to cause its transportation and storage for Tenant's benefit, all at the sole cost and risk of Tenant, and Landlord will not be liable for damage, theft, misappropriation or loss thereof or in any manner in respect thereto.

Article 18
DAMAGE TO TENANT'S PROPERTY

Except in cases of Landlord's gross negligence or willful act or violation of its obligations hereunder, notwithstanding anything to the contrary in this Lease, neither Landlord nor its agents shall be liable for (a) any loss or damage to any property by theft or otherwise, (b) any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain that may leak from any part of the Building or from the pipes, appliances or plumbing work therein or from the roof, street or sub surface or from any other place or resulting from dampness or any other cause whatsoever, or (c) any damage or loss to the business or occupation of Tenant. Tenant shall give prompt notice to Landlord in case of fire or accident in the Premises or in the Building or of defects therein or in the fixtures or equipment.

Article 19
RULES AND REGULATIONS

Tenant agrees to observe and be bound by the rules and regulations applicable to the Premises which may be promulgated by Landlord. Landlord reserves the right to amend said Rules and Regulations as Landlord, in its reasonable judgment, may from time to time deem to be necessary or desirable for the safety, care and cleanliness of the Premises or the Building and the preservation of good order therein, and Tenant agrees to comply therewith. In no event shall Landlord be liable to Tenant or any party acting by or through Tenant for the failure of other tenants to comply with the rules and regulations. To the extent the rules and regulations conflict with this Lease, this Lease shall control.

Article 20
MISCELLANEOUS

20.1 Notices. All notices and other communications must be in writing and may be delivered (a) in person, with the date of notice being the date of personal delivery; (b) by United States Mail, postage prepaid for certified or registered mail, return receipt requested, with the date of notice being the date of the postmark on the return receipt; (c) by e-mail, with oral or written confirmation and the date of the notice being the date of the e-mail if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) by nationally recognized delivery service such as Federal Express, with the date of notice being the date of delivery as shown on the confirmation provided by the delivery service. Notices must be addressed to the parties at the addresses set forth in Basic Lease Information or to the most recent address provided by each party to the other party in accordance with this Section 20.1. Payments to be made under this Lease will be received only upon actual receipt by the payee.

20.2 Successors. The covenants and agreements contained in this Lease bind and inure to the benefit of Landlord, its successors and assigns, bind Tenant and its successors and assigns and inure to the benefit of Tenant and its permitted successors and assigns.

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20.3 Transfer of Landlord’s Interest. In the event of any transfer or transfers of Landlord’s interest in the Property or the Building, other than a transfer for security purposes only, Tenant agrees that Landlord shall be automatically relieved of any and all obligations and liabilities on the part of Landlord accruing from and after the date of such transfer, and Tenant agrees to attorn to the transferee.

20.4 Entire Agreement; Amendment. The Basic Lease Information and all exhibits, addenda and schedules attached to this Lease are incorporated into this Lease as though fully set forth in this Lease and together with this Lease contain the entire agreement between the parties with respect to the improvement and leasing of the Premises. All prior and contemporaneous negotiations regarding the lease of the Premises, including, without limitation, any letters of intent or other proposals and any drafts and related correspondence, are merged into and superseded by this Lease. No subsequent alteration, amendment, change or addition to this Lease (other than to the building rules) is binding on Landlord or Tenant unless it is in writing and signed by the party to be charged with performance.

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20.5 Severability. If any covenant, condition, provision, term or agreement of this Lease is, to any extent, held invalid or unenforceable, the remaining portion thereof and all other covenants, conditions, provisions, terms and agreements of this Lease, will not be affected by such holding, and will remain valid and in force to the fullest extent permitted by law.

20.6 Attorneys' Fees. If either Landlord or Tenant commences any litigation or judicial action to determine or enforce any of the provisions of this Lease, the prevailing party in any such litigation or judicial action is entitled to recover all of its costs and expenses (including, but not limited to, reasonable attorneys' fees, costs and expenditures) from the nonprevailing party.

20.7 Brokers. Landlord and Tenant each represents and warrants to the other that it has not had any dealings with any realtors, brokers, finders or agents in connection with this Lease, and release and will indemnify, defend and hold the other harmless from and against any claim based on the failure or alleged failure to pay any realtors, brokers, finders or agents from any cost, expense or liability for any compensation, commission or changes claimed by any realtors, brokers, finders or agents claiming by, through or on behalf of it with respect to this Lease or the negotiation of this Lease.

20.8 Intentionally Omitted.

20.9 Governing Law. This Lease is governed by, and must be interpreted under, the internal laws of the State of Idaho.

20.10 Time is of the Essence. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

20.11 Relationship of Parties. This Lease does not create the relationship of principal and agent, or of partnership, joint venture, or of any association or relationship between Landlord and Tenant other than that of landlord and tenant.

20.12 Construction of Lease and Terms. The terms and provisions of this Lease represent the results of negotiations between Landlord and Tenant, each of which are sophisticated parties and each of which has been represented or been given the opportunity to be represented by counsel of its own choosing, and neither of which has acted under any duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Lease must be interpreted and construed in accordance with their usual and customary meanings, and Landlord and Tenant each waive the application of any rule of law that ambiguous or conflicting terms or provisions contained in this Lease are to be interpreted or construed against the party who prepared the executed Lease or any earlier draft of the same. Landlord's submission of this instrument to Tenant for examination or signature by Tenant does not constitute a reservation of or an option to lease and is not effective as a lease or otherwise until Landlord and Tenant both execute and deliver this Lease. The parties agree that, regardless of which party provided the initial form of this Lease, drafted or modified one or more provisions of this Lease, or compiled, printed or copied this Lease, this Lease is to be construed solely as an offer from Tenant to lease the Premises, executed by Tenant and provided to Landlord for acceptance on the terms set forth in this Lease, which acceptance and the existence of a binding agreement between Tenant and Landlord may then be evidenced only by Landlord's execution of this Lease.

20.13 Counterparts. This Lease may be executed in any number of counterparts, all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be duly executed as of the Effective Date.

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LANDLORD:

/s/ Stephen Mallatt, Jr.
Stephen Mallatt, Jr.

/s/ Rita Mallatt
Rita Mallatt

TENANT:

KYLE'S CUSTOM WOOD SHOP, INC.

By: /s/ Stephen Mallatt, Jr.
Name: Stephen Mallatt, Jr.
Title: President

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<u>**EXHIBIT A**</u>

LEGAL DESCRIPTION AND DEPICTION OF PREMISES

Lot 6 in Block 5 of West Boise Industrial Park No. 6, according to the official plat thereof, filed in Book 69 of Plats at Page(s) 7078 through 7080, official records of Ada County, Idaho.

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Exhibit 21.1

LIST OF SUBSIDIARIES

Name of Subsidiary	Jurisdiction of Organization	Percentage of Ownership
1847 Neese Inc.	Delaware	55%
Neese, Inc.	Iowa	100%
1847 Asien Inc.	Delaware	95%
Asien’s Appliance, Inc.	California	100%
1847 Cabinet Inc.	Delaware	92.5%
Kyle’s Custom Wood Shop, Inc.	Idaho	100%
1847 Wolo Inc.	Delaware	92.5%
Wolo Mfg. Corp.	New York	100%
Wolo Industrial Horn & Signal, Inc.	New York	100%
1847 Hydroponic Inc.	Delaware	100%

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Exhibit 31.1

CERTIFICATIONS

I, Ellery W. Roberts, certify that:

1. I have reviewed this annual report on Form 10-K of 1847 Holdings LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2021

/s/ Ellery W. Roberts

Ellery W. Roberts
Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31.2

CERTIFICATIONS

I, Jay Amond, certify that:

1. I have reviewed this annual report on Form 10-K of 1847 Holdings LLC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 15, 2021

/s/ Jay Amond

Jay Amond
Chief Financial Officer
(Principal Financial and Accounting Officer)

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Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned Chief Executive Officer of 1847 HOLDINGS LLC (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on April 15, 2021.

/s/ Ellery W. Roberts
Ellery W. Roberts
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

The undersigned Chief Financial Officer of 1847 HOLDINGS LLC (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

IN WITNESS WHEREOF, the undersigned has executed this statement on April 15, 2021.

/s/ Jay Amond

Jay Amond
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to 1847 Holdings LLC and will be retained by 1847 Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

The forgoing certification is being furnished to the Securities and Exchange Commission pursuant to § 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Document And Entity Information - USD ($)	12 Months Ended Dec. 31, 2020	Apr. 14, 2021	Jun. 30, 2020
Document Information Line Items			
Entity Registrant Name	1847 Holdings LLC		
Document Type	10-K		
Current Fiscal Year End Date	--12-31		
Entity Common Stock, Shares Outstanding		4,842,851	
Entity Public Float			$ 2,421,844
Amendment Flag	false		
Entity Central Index Key	0001599407		
Entity Current Reporting Status	Yes		
Entity Voluntary Filers	No		
Entity Filer Category	Non-accelerated Filer		
Entity Well-known Seasoned Issuer	No		
Document Period End Date	Dec. 31, 2020		
Document Fiscal Year Focus	2020		
Document Fiscal Period Focus	FY		
Entity Small Business	true		
Entity Emerging Growth Company	false		
Entity Shell Company	false		
Entity File Number	000-56128		
Entity Incorporation, State or Country Code	DE		
Entity Interactive Data Current	Yes		

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Consolidated Balance Sheets - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Current Assets		
Cash	$ 1,393,368	$ 174,290
Restricted cash	403,811	
Accounts receivable, net	859,720	591,369
Inventories, net	2,327,833	235,342
Contract assets	70,230	
Prepaid expenses and other current assets	819,568	230,690
Discontinued operations – current assets		4,494,402
TOTAL CURRENT ASSETS	5,874,530	5,726,093
Investments	276,270	
Property and equipment, net	2,324,347	3,181,821
Operating lease right of use assets	859,034	565,080
Goodwill	6,011,984	22,166
Intangible assets, net	3,893,400	14,733
Deferred tax asset		
Other assets	375	375
Discontinued operations – long-term assets		9,784,524
TOTAL ASSETS	19,239,940	19,294,792
CURRENT LIABILITIES		
Accounts payable and accrued expenses	3,043,412	1,552,410
Floor plan payable		10,581
Current portion of operating lease liability	134,527	63,253
Advances, related party	190,192	43,833
Line of credit	301,081	
Due to seller	33,630	
Note payable – related party	56,900	119,400
Notes payable – current portion	875,728	3,299,364
Contract liabilities	77,403	
Customer deposits	3,370,957	
Current portion of financing lease liability		358,584
Discontinued operations – current liabilities		11,215,928
TOTAL CURRENT LIABILITIES	8,083,830	16,663,353
Operating lease liability – long term, net of current portion	725,284	501,827
Notes payable – long term, net of current portion	5,824,686	1,025,000
Deferred tax liability		62,800
Accrued expenses – long term, related party	1,359,990	905,780
Financing lease liability, net of current portion		275,874
Discontinued operations – long-term liabilities		3,858,952
TOTAL LIABILITIES	15,993,790	23,293,586
1847 HOLDINGS SHAREHOLDERS' EQUITY (DEFICIT)		
Allocation shares, 1,000 shares issued and outstanding	1,000	1,000

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Series A convertible preferred stock, 3,157,895 authorized, 2,632,278 outstanding as of December 31, 2020	2,971,427	
Distribution receivable	(2,000,000)	
Common Shares, 500,000,000 shares authorized, 4,444,013 and 3,165,625 shares issued and outstanding as of December 31, 2020 and 2019, respectively	4,444	3,165
Additional paid-in capital	17,005,491	442,014
Accumulated deficit	(13,856,973)	(4,402,043)
TOTAL 1847 HOLDINGS SHAREHOLDERS' EQUITY (DEFICIT)	4,125,389	(3,955,864)
NON-CONTROLLING INTERESTS	(879,239)	(42,930)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	3,246,150	(3,998,794)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 19,239,940	$ 19,294,792

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Consolidated Balance Sheets (Parentheticals) - shares	Dec. 31, 2020	Dec. 31, 2019
Statement of Financial Position [Abstract]		
Allocation shares, issued	1,000	1,000
Allocation shares, outstanding	1,000	1,000
Series A preferred stock, authorized	3,157,895	
Series A preferred stock, outstanding	2,632,278	
Common Shares, authorized	500,000,000	500,000,000
Common Shares, issued	4,444,013	3,165,625
Common Shares, outstanding	4,444,013	3,165,625

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Consolidated Statements of Operations - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Income Statement [Abstract]		
Services	$ 3,379,655	$ 4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Construction	1,120,224	
Furniture and appliances revenue	7,625,222	
TOTAL REVENUE	15,448,045	6,380,025
Cost of sales	9,406,228	1,830,067
Personnel costs	2,553,589	2,228,194
Depreciation and amortization	1,447,077	1,352,874
Fuel	378,115	718,495
General and administrative	4,185,442	1,569,149
TOTAL OPERATING EXPENSES	17,970,451	7,698,779
NET LOSS FROM OPERATIONS	(2,522,406)	(1,318,754)
Financing costs	(205,075)	(32,400)
Loss on extinguishment of debt	(382,681)	
Interest expense	(460,559)	(523,780)
Other income (expense)	(24,271)	
Gain on sale of property and equipment	130,749	57,603
TOTAL OTHER INCOME (EXPENSE)	(941,837)	(498,577)
NET LOSS BEFORE INCOME TAXES	(3,464,243)	(1,817,331)
INCOME TAX BENEFIT	(431,631)	(504,060)
NET LOSS FROM CONTINUING OPERATIONS	(3,032,612)	(1,313,271)
NET LOSS FROM DISCONTINUED OPERATIONS		
Loss from discontinued operations before income taxes	(10,964,688)	(2,766,453)
Less provision for income taxes for discontinued operations	(698,303)	698,303
Net loss from discontinued operations	(11,662,991)	(2,068,150)
Less net income from discontinued operations attributable to noncontrolling interests	4,491,220	620,445
Net loss from discontinued operations attributable to 1847 Holdings common shareholders	(7,171,771)	(1,447,705)
NET LOSS	(10,204,383)	(2,760,976)
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(595,731)	(514,019)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	(9,608,652)	(2,246,957)
DEEMED DIVIDEND RELATED TO ISSUANCE OF PREFERRED STOCK	3,051,478	
DISTRIBUTION – ALLOCATION SHARES	5,985,000	
1847 GOEDEKER SPIN-OFF DIVIDEND	283,257	
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS	$ (18,928,387)	$ (2,246,957)
Net Loss Per Common Share from continuing operations: Basic and diluted (in Dollars per share)	$ (0.82)	$ (0.42)
Net Loss Per Common Share from discontinued operations: Basic and diluted (in Dollars per share)	(3.16)	(0.66)

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Net Loss Per Common Share: Basic and diluted (in Dollars per share)	$ (2.60)	$ (0.71)
Weighted-average number of common shares outstanding: Basic and diluted (in Shares)	3,692,429	3,147,918

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Consolidated Statements of Shareholders' Equity (Deficit) - USD ($)	Allocation Shares	Preferred Shares	Common Shares	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Distribution receivable	Total
Balance at Dec. 31, 2018	$ 1,000		$ 3,115	$ 11,891	$ (2,155,084)	$ 112,011		$ (2,027,067)
Balance (in Shares) at Dec. 31, 2018			3,115,625					
Non-controlling interest granted in the acquisition of Goedeker						979,523		979,523
Common shares and warrants issued in connection with convertible note payable			$ 50	430,123				430,173
Common shares and warrants issued in connection with convertible note payable (in Shares)			50,000					
Net loss					(2,246,959)	(1,134,464)		(3,381,423)
Balance at Dec. 31, 2019	1,000		$ 3,165	442,014	(4,402,043)	(42,930)		(3,998,794)
Balance (in Shares) at Dec. 31, 2019			3,165,625					
Common shares issued in connection with Asien acquisition			$ 415	1,037,085				1,037,500
Common shares issued in connection with Asien acquisition (in Shares)			415,000					
Common shares issued for service			$ 100	244,900				245,000
Common shares issued for service (in Shares)			100,000					
Common shares issued upon partial conversion of convertible note payable			$ 100	274,900				275,000
Common shares issued upon partial conversion of convertible note payable (in Shares)			100,000					
Warrants issued in connection with convertible note payable				448,211		118,500		566,711
Warrants issued in connection with convertible note payable (in Shares)								
Fair value of stock options				191,386				191,386
Common shares issued in connection with Kyle's acquisition			$ 700	3,674,300				3,675,000
Common shares issued in connection with Kyle's acquisition (in Shares)			700,000					
Issuance of warrants for services				87,550				87,550

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Issuance of warrants for services (in Shares)								
Common shares issued upon warrant exercise			$ 230	62,270				62,500
Common shares issued upon warrant exercise (in Shares)			230,000					
Common shares issued upon option exercise			$ 78	149,922				150,000
Common shares issued upon option exercise (in Shares)			77,500					
Common shares issued upon partial conversion of convertible note payable			$ 50	99,950				100,000
Common shares issued upon partial conversion of convertible note payable (in Shares)			50,000					
Purchase of common shares from seller shares, cancellation of common shares held in treasury and common share dividend to non-controlling interest			$ (394)	(693,314)	(57,442)			(751,150)
Purchase of common shares from seller shares, cancellation of common shares held in treasury and common share dividend to non-controlling interest (in Shares)			(394,112)					
Issuance of preferred shares, net of fees		$ 2,794,477		5,001,317	(2,874,478)			4,921,316
Issuance of preferred shares, net of fees (in Shares)		2,633,278						
Goedeker equity					75,821	(359,078)		(283,257)
Goedeker profit distribution				5,985,000	(3,985,000)		(2,000,000)	
Accrued dividends payable		176,950			(176,950)			
Net loss					(2,436,881)	(595,731)		(3,032,612)
Balance at Dec. 31, 2020	$ 1,000	$ 2,971,427	$ 4,444	$ 17,005,491	$ (13,856,973)	$ (879,239)	$ (2,000,000)	$ 3,246,150
Balance (in Shares) at Dec. 31, 2020		2,633,278	4,444,013					

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Consolidated Statements of Cash Flows	12 Months Ended Dec. 31, 2020 USD ($)	Dec. 31, 2019 USD ($)
Statement of Cash Flows [Abstract]		
Net loss	$ (10,204,383)	$ (2,760,976)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	7,171,771	1,447,705
Gain on sale of property and equipment	(130,748)	(57,603)
Depreciation and amortization	1,447,077	1,352,872
Stock compensation	523,936	
Loss on extinguishment of debt	382,681	
Amortization of financing costs		5,458
Amortization of original interest discount	100,511	
Amortization of operating lease right-of-use assets	79,184	59,077
Changes in operating assets and liabilities:		
Accounts receivable	352,490	(41,801)
Inventory	(635,003)	252,348
Prepaid expenses and other assets	(533,745)	(18,794)
Accounts payable and accrued expenses	949,154	452,432
Other current liabilities		
Operating lease liability	(79,184)	(59,077)
Customer deposits	965,254	
Deferred taxes and uncertain tax position	(146,800)	(309,800)
Change on contract liabilities	85,761	
Due to related parties	7,140	7,000
Accrued expense long-term	454,209	453,921
Net cash provided by operating activities from continuing operations	789,305	782,760
Net cash provided by (used in) operating activities from discontinued operations	3,137,175	(2,706,053)
Net cash provided by (used in) operating activities	3,926,480	(1,923,293)
INVESTING ACTIVITIES		
Cash acquired in acquisitions	1,409,936	
Investment in certificates of deposits	(276,270)	
Proceeds from the sale of property and equipment	209,500	143,711
Purchase of property and equipment	(159,234)	(188,832)
Net cash provided by investing activities from continuing operations	1,183,932	(45,121)
Net cash provided by (used in) investing activities from discontinued operations	(51,059)	(2,200)
Net cash provided by investing activities	1,132,873	(47,321)
FINANCING ACTIVITIES		
Repayments of short-term borrowings		(98,519)
Proceeds from notes payable	969,697	27,000
Repayment of notes payable	(1,512,684)	(304,052)

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Repayment of floor plan	(10,581)	
Proceeds (repayment) of grid note	(62,500)	2,400
Net borrowings from lines of credit	301,081	
Proceeds from exercise of stock options and warrants	212,500	
Payment to seller	(4,356,162)	
Proceeds from issuance of preferred shares, net of costs	4,921,315	
Financing fees	(113,831)	
Proceeds from vehicle loan	21,968	
Repayment of financing lease	(721,151)	(524,058)
Net cash used in financing activities from continuing operations	(350,348)	(897,229)
Net cash provided by financing activities from discontinued operations	4,981,959	2,772,723
Net cash provided by (used in) financing activities	4,631,611	1,875,494
NET CHANGE IN CASH AND RESTRICTED CASH – Continuing Operations	1,622,889	(159,590)
NET CHANGE IN CASH AND RESTRICTED CASH – Discontinuing Operations	8,068,075	64,470
CASH AND RESTRICTED CASH AVAILABLE – Discontinuing Operations	(8,068,075)	(64,470)
CASH AND RESTRICTED CASH – Continuing Operations		
Beginning of period	174,290	333,880
End of period	$ 1,797,179	$ 174,290

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Organization and Nature of Business	12 Months Ended Dec. 31, 2020
Organization and Nature of Business [Abstarct]	
ORGANIZATION AND NATURE OF BUSINESS	**NOTE 1—ORGANIZATION AND NATURE OF BUSINESS** 1847 Holdings LLC (the "Company") was formed under the laws of the State of Delaware on January 22, 2013. The Company is in the business of acquiring small businesses in a variety of different industries. On March 3, 2017, the Company's wholly owned subsidiary 1847 Neese Inc., a Delaware corporation ("1847 Neese"), entered into a stock purchase agreement with Neese, Inc., an Iowa corporation ("Neese"), and Alan Neese and Katherine Neese (the "Neese Sellers"), pursuant to which 1847 Neese acquired all of the issued and outstanding capital stock of Neese on March 3, 2017. As a result of this transaction, 1847 Neese owns 55% of 1847 Neese, with the remaining 45% held by the sellers. On March 27, 2020, the Company and the Company's wholly owned subsidiary 1847 Asien Inc., a Delaware corporation ("1847 Asien"), entered into a stock purchase agreement with Asien's Appliance, Inc., a California corporation ("Asien's"), and Joerg Christian Wilhelmsen and Susan Kay Wilhelmsen, as trustees of the Wilhelmsen Family Trust, U/D/T Dated May 1, 1992 (the "Asien's Seller"), pursuant to which 1847 Asien acquired all of the issued and outstanding stock of Asien's on May 28, 2020 (see Note 10). As a result of this transaction, the Company owns 95% of 1847 Asien, with the remaining 5% held by a third party, and 1847 Asien owns 100% of Asien's. On August 27, 2020, the Company and the Company's wholly owned subsidiary 1847 Cabinet Inc., a Delaware corporation ("1847 Cabinet"), entered into a stock purchase agreement with Kyle's Custom Wood Shop, Inc., an Idaho corporation ("Kyle's"), and Stephen Mallatt, Jr. and Rita Mallatt (the "Kyle's Sellers"), pursuant to which 1847 Cabinet acquired all of the issued and outstanding stock of Kyle's on September 30, 2020 (see Note 10). As a result of this transaction, the Company owns 92.5% of 1847 Cabinet, with the remaining 7.5% held by a third party, and 1847 Cabinet owns 100% of Kyle's. On January 10, 2019, the Company established 1847 Goedeker Inc. ("Goedeker") as a wholly owned subsidiary in the State of Delaware in connection with the proposed acquisition of assets from Goedeker Television Co., a Missouri corporation ("Goedeker Television"). On March 20, 2019, the Company established 1847 Goedeker Holdco Inc. ("Holdco") as a wholly owned subsidiary in the State of Delaware and subsequently transferred all of its shares in Goedeker to Holdco, such that Goedeker became a wholly owned subsidiary of Holdco. On January 18, 2019, Goedeker entered into an asset purchase agreement with Goedeker Television and Steve Goedeker and Mike Goedeker, pursuant to which Goedeker acquired substantially all of the assets of Goedeker Television used in its retail appliance and furniture business on April 5, 2019. As a result of this transaction, the Company owned 70% of Holdco, with the remaining 30% held by third parties, and Holdco owned 100% of Goedeker. On August 4, 2020, Holdco distributed all of its shares of Goedeker to its stockholders in accordance with their pro rata ownership in Holdco, after which time Holdco was dissolved. Following this transaction, and the closing of Goedeker's initial public offering on August 4, 2020 (the "Goedeker IPO"), the Company owned approximately 54.41% of Goedeker. On October 23, 2020, the Company distributed all of the shares of Goedeker that it held to its shareholders (the "Goedeker Spin-Off"). As a result of the Goedeker Spin-Off, Goedeker is no longer a subsidiary of the Company.

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The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, 1847 Neese, Neese, 1847 Asien, Asien's, 1847 Cabinet and Kyle's. All significant intercompany balances and transactions have been eliminated in consolidation.

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Summary of Significant Accounting Policies	12 Months Ended Dec. 31, 2020

Accounting Policies [Abstract]

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company have been prepared without audit in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and are presented in US dollars.

The results of Goedeker are included within discontinued operations for the years ended December 31, 2020 and 2019, respectively. The Company retrospectively updated the consolidated financial statements as of and for the years ended December 31, 2020 and 2019, respectively, to reflect this change.

Accounting Basis

The Company uses the accrual basis of accounting and GAAP. The Company has adopted a calendar year end.

Proposed Acquisition

On February 9, 2021, the Company’s wholly-owned subsidiary 1847 Hydroponic Inc. (“1847 Hydroponic”) entered into a securities purchase agreement with GSH One Enterprises, Inc., a California corporation (d/b/a Bayside Garden Supply), Hone Brothers Retail, LLC, an Oregon limited liability company (d/b/a Endless Summer Garden Supply), and Hone Brothers Retail Tulsa LLC, an Oklahoma limited liability company (d/b/a Endless Summer Garden Supply) (the “Garden Companies”) and the sellers named therein, pursuant to which 1847 Hydroponic agreed to acquire all of the issued and outstanding capital stock or other equity securities of the Garden Companies for an aggregate purchase price of $100,000,000, subject to adjustment, consisting of (i) $90,000,000 in cash and (ii) a three-year 8% secured subordinated convertible promissory note in the aggregate principal amount of $10,000,000. The closing of the securities purchase agreement is subject to standard closing conditions and has not yet been completed.

Segment Reporting

The Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. Beginning with the second quarter of 2019, the Company changed its operating and reportable segments from one segment to two segments - the Retail and Appliances Segment, which is operated by Asien’s (and was previously operated by Goedeker), and the Land Management Segment, which is operated by Neese. Commencing with the fourth quarter of 2020, the Company added an additional segment - the Construction Segment, which is operated by Kyle’s.

The Retail and Appliances Segment is comprised of the business of Asien’s, which is based in Santa Rosa, California, and provides a wide variety of appliance services including sales, delivery, installation, service and repair, extended warranties, and financing.

The Land Management Services Segment is comprised of the business of Neese, which is based in Grand Junction, Iowa, and provides professional services for waste disposal and a variety of

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agricultural services, wholesaling of agricultural equipment and parts, local trucking services, various shop services, and sales of other products and services.

The Construction Segment is comprised of the business of Kyle's, which is based in Boise, Idaho, and provides a wide variety of construction services including custom design and build of kitchen and bathroom cabinetry, delivery, installation, service and repair, extended warranties, and financing.

The Company provides general corporate services to its segments; however, these services are not considered when making operating decisions and assessing segment performance. These services are reported under "Corporate Services" below and these include costs associated with executive management, financing activities and public company compliance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impact of COVID-19

The impact of COVID-19 on the Company's business has been considered in management's estimates and assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

Reclassifications

Certain Statements of Operations reclassifications have been made in the presentation of the Company's prior financial statements and accompanying notes to conform to the presentation as of and for the year ended December 31, 2020. The Company reclassified certain operating expense accounts in the Consolidated Statement of Operations. The reclassification had no impact on financial position, net income, or shareholder's equity.

Revenue Recognition and Cost of Revenue

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and

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uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments. The Company's adoption of this ASU resulted in no change to the Company's results of operations or balance sheet.

Retail and Appliances Segment

Asien's collects 100% of the payment for special-order models including tax and 50% of the payment for non-special orders from the customer at the time the order is placed. Asien's does not incur incremental costs obtaining purchase orders from customers, however, if Asien's did, because all Asien's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

Performance Obligations – The revenue that Asien's recognizes arises from orders it receives from customers. Asien's performance obligations under the customer orders correspond to each sale of merchandise that it makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the merchandise sale to be completed. Control of the delivery transfers to customers when the customer can direct the use of, and obtain substantially all the benefits from, Asien's products, which generally occurs when the customer assumes the risk of loss. The transfer of control generally occurs at the point of pickup, shipment, or installation. Once this occurs, Asien's has satisfied its performance obligation and Asien's recognizes revenue.

Transaction Price – Asien's agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon sales price. In Asien's contracts with customers, it allocates the entire transaction price to the sales price, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax that Asien's collects concurrently with revenue-producing activities are excluded from revenue.

Cost of revenue includes the cost of purchased merchandise plus freight and any applicable delivery charges from the vendor to Asien's. Substantially all Asien's sales are to individual retail consumers (homeowners), builders and designers. The large majority of customers are homeowners and their contractors, with the homeowner being key in the final decisions. Asien's has a diverse customer base with no one client accounting for more than 5% of total revenue.

Disaggregated revenue for the Retail and Appliances Segment by sales type for the period from May 29, 2020 (date of acquisition) to December 31, 2020 is as follows:

	Period May 29, 2020 to December 31, 2020
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenue	$ 7,625,222

Land Management Segment

Neese's payment terms are due on demand from acceptance of delivery. Neese does not incur incremental costs obtaining purchase orders from customers, however, if Neese did, because all of Neese's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

The revenue that Neese recognizes arises from orders it receives from customers. Neese's performance obligations under the customer orders correspond to each service delivery or sale of

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equipment that Neese makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the service or equipment sale to be completed. Control of the delivery transfers to customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, Neese's products, which generally occurs at the later of when the customer obtains title to the equipment or when the customer assumes risk of loss. The transfer of control generally occurs at a point of delivery. Once this occurs, Neese has satisfied its performance obligation and Neese recognizes revenue.

Neese also sells equipment by posting it on auction sites specializing in farm equipment. Neese posts the equipment for sale on a "magazine" site for several weeks before the auction. When Neese decides to sell, it moves the equipment to the auction site. The auctions are one day. If Neese accepts a bid, the customer pays the bid price and arranges for pick-up of the equipment.

Transaction Price – Neese agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon service fee. In Neese's contracts with customers, it allocates the entire transaction price to the service fee to the customer, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax, value added tax, and other tax Neese collects concurrently with revenue-producing activities are excluded from revenue.

If Neese continued to apply legacy revenue recognition guidance for year ended December 31, 2020, revenues, gross margin, and net loss would not have changed.

Substantially all of Neese's sales are to businesses, including farmers or municipalities and very little to individuals.

Disaggregated Revenue – Neese disaggregates revenue from contracts with customers by contract type, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Neese's disaggregated revenue by sales type for the years ended December 31, 2020 and 2019 is as follows:

	Year Ended December 31,	
	2020	**2019**
Revenues		
Trucking	$ 923,398	$1,579,660
Waste hauling and pumping	1,588,010	1,901,314
Repairs	464,475	377,004
Other	403,772	343,436
Total services	3,379,655	4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenue	$6,702,599	$6,380,025

Performance Obligations – Performance obligations for the different types of services are discussed below:

- *Trucking* – Revenues for time and material contracts are recognized when the merchandise or commodity is delivered to the destination specified in the agreement with the customer.
- *Waste Hauling and pumping* – Revenues for waste hauling and pumping is recognized when the hauling, pumping, and spreading are complete.

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- *Repairs* – Revenues for repairs are recognized upon completion of equipment serviced.

- *Sales of parts and equipment* – Revenues for the sale of parts and equipment are recognized upon the transfer and acceptance by the customer.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration. Unbilled receivables of $38,000 and $121,989 are included in this balance at December 31, 2020 and 2019, respectively. The payment of consideration related to these unbilled receivables is subject only to the passage of time.

Neese reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value. The estimates are based on an analysis of past due receivables, historical bad debt trends, current economic conditions, and customer specific information. After Neese has exhausted all collection efforts, the outstanding receivable balance relating to services provided is written off against the allowance. Additions to the provision for bad debt are charged to expense.

Neese determined that an allowance for loss of $14,614 and $29,001 was required at December 31, 2020 and 2019, respectively.

Construction Segment

Kyle's generates revenues from providing cabinet design, construction and installation primary from cabinet-related products and supplies.

Kyle's provides cabinet design, construction and installation services to customers with both residential and commercial projects. A majority of Kyle's contracts are recurring work from a builder team. Kyle's will provide pricing and work with individual homeowners, designers and builders to determine pricing options and upgrades to the base proposed contact pricing.

Performance Obligations - For substantially all landscaping construction contracts, the Company recognizes revenue over time, as performance obligations are satisfied, on a percentage completion basis on a total project cost basis. Typical contacts will last approximately 4-6 weeks from start to the substantial completion of the project.

Significant Judgments and Estimates - For cabinet construction contracts, measuring the percent completion on an individual project requires estimates obtained by discussions with field personnel. Estimates are also used in determining the total estimated total costs of a project. These estimates and assumptions are the best information management has at the time percent complete is calculated. The Company employs the same estimation methodology on a quarterly basis.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration.

	Period October 1 to December 31, 2020
Construction sales	$ 1,120,224
Other sales	-
Total revenue	$ 1,120,224

Receivables

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Receivables consist of credit card transactions in the process of settlement. Vendor rebates receivable represent amounts due from manufactures from whom the Company purchases products. Rebates receivable are stated at the amount that management expects to collect from manufacturers, net of accounts payable amounts due the vendor. Rebates are calculated on product and model sales programs from specific vendors. The rebates are paid at intermittent periods either in cash or through issuance of vendor credit memos, which can be applied against vendor accounts payable. Based on the Company's assessment of the credit history with its manufacturers, it has concluded that there should be no allowance for uncollectible accounts. The Company historically collects substantially all of its outstanding rebates receivables. Uncollectible balances are expensed in the period it is determined to be uncollectible.

Allowance for Credit Losses

Provisions for credit losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for future losses on the Company's accounts receivable. The Company charges credit losses against the allowance and credits subsequent recoveries, if any, to the allowance. Historical loss experience and contractual delinquency of accounts receivables, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance for credit losses consists of general and specific components. The general component of the allowance estimates credit losses for groups of accounts receivable on a collective basis and relates to probable incurred losses of unimpaired accounts receivables. The Company records a general allowance for credit losses that includes forecasted future credit losses.

Inventory

For Asien's, inventory mainly consists of appliances that are acquired for resale and is valued at the average cost determined on a specific item basis. Inventory also consists of parts that are used in service and repairs and may or may not be charged to the customer depending on warranty and contractual relationship. For Neese, inventory consists of finished products acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis. Kyle's typically orders inventory on a job by job basis and those jobs are put into production within hours of being received. The inventory in production is accounted for in the contact assets and liabilities and follows the percentage completion methodology. Inventories consisting of materials and supplies are stated at lower of costs or market. The Company periodically evaluates the value of items in inventory and provides write-downs to inventory based on its estimate of market conditions. The Company estimated an obsolescence allowance of $181,370 and $26,546 at December 31, 2020 and 2019, respectively.

Property and Equipment

Property and equipment is stated at cost. Depreciation of furniture, vehicles and equipment is calculated using the straight-line method over the estimated useful lives as follows:

	Useful Life (Years)
Building and Improvements	4
Machinery and Equipment	3-7
Tractors	3-7
Trucks and Vehicles	3-6

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Goodwill and Intangible Assets

In applying the acquisition method of accounting, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Identifiable intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment within one year of acquisitions or annually as of December 1, and whenever indicators of impairment exist. The fair value of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

Acquired identifiable intangible assets are amortized over the following periods:

Acquired intangible Asset	Amortization Basis	Expected Life (years)
Customer-Related	Straight-line basis	5-15
Marketing-Related	Straight-line basis	5

Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, certificates of deposit and amounts due to shareholders. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy is as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market date.

The Company's held to maturity securities are comprised of certificates of deposit.

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Derivative Instrument Liability

The Company accounts for derivative instruments in accordance with ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts, and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued and are recognized over the employees required service period, which is generally the vesting period.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. As the Company had a net loss for the year ended December 31, 2020, the following 2,632,278 potentially dilutive securities were excluded from diluted loss per share: 2,632,278 for outstanding warrants. As the Company had a net loss for the year ended December 31, 2019, the following 895,565 potentially dilutive securities were excluded from diluted loss per share: 200,000 for outstanding warrants and 695,565 related to the convertible note payable and accrued interest.

Leases

The Company adopted ASC Topic 842, *Leases*, on January 1, 2019.

The new leasing standard requires recognition of leases on the consolidated balance sheets as right-of-use ("ROU") assets and lease liabilities. ROU assets represent the Company's right to use underlying assets for the lease terms and lease liabilities represent the Company's obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company's leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. A number of the lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

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The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the period when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

Going Concern Assessment

Management assesses going concern uncertainty in the Company's consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the consolidated financial statements are issued or available to be issued, which is referred to as the "look-forward period", as defined in GAAP. As part of this assessment, based on conditions that are known and reasonably knowable to management, management will consider various scenarios, forecasts, projections, estimates and will make certain key assumptions, including the timing and nature of projected cash expenditures or programs, its ability to delay or curtail expenditures or programs and its ability to raise additional capital, if necessary, among other factors. Based on this assessment, as necessary or applicable, management makes certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent it deems probable those implementations can be achieved and management has the proper authority to execute them within the look-forward period.

The Company has generated losses since its inception and has relied on cash on hand, sales of securities, external bank lines of credit, issuance of third party and related party debt and the sale of a note to support cashflow from operations. For the year ended December 31, 2020, the Company incurred operating losses of $3,032,612 (before deducting losses attributable to non-controlling interests and excluding the loss of discontinued operations), cash flows from operations of $789,306 (excluding the cashflow from discontinued operations) and negative working capital of $1,933,026 (excluding the negative working capital from discontinued operations). In addition to the estimates of funds available from operations, the Company has unpledged assets that it believes could provide for approximately $914,000 of additional borrowings.

Management has prepared estimates of operations for fiscal year 2021 and believes that sufficient funds will be generated from operations to fund its operations, and to service its debt obligations for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern.

The impact of COVID-19 on the Company's business has been considered in these assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

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The accompanying consolidated financial statements have been prepared on a going concern basis under which the Company is expected to be able to realize its assets and satisfy its liabilities in the normal course of business.

Management believes that based on relevant conditions and events that are known and reasonably knowable that its forecasts, for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern. The Company has contingency plans to reduce or defer expenses and cash outlays should operations not improve in the look forward period.

Recent Accounting Pronouncements

Not Yet Adopted

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment.* To simplify the subsequent measurement of goodwill, the update requires only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value. A qualitative assessment may still be completed first for an entity to determine if a quantitative impairment test is necessary. The update is effective for fiscal year 2021 and is to be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company will test goodwill for impairment within one year of the acquisition or annually as of December 1, and whenever indicators of impairment exist.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2019. This pronouncement was amended under ASU 2019-10 to allow an extension on the adoption date for entities that qualify as a small reporting company. The Company has elected this extension and the effective date for the Company to adopt this standard will be for fiscal years beginning after December 15, 2022. The Company has not completed its assessment of the standard, but does not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

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Business Segments	12 Months Ended Dec. 31, 2020
Business Segments [Abstract]	
BUSINESS SEGMENTS	NOTE 3—BUSINESS SEGMENTS

NOTE 3—BUSINESS SEGMENTS

Summarized financial information concerning the Company's reportable segments is presented below:

	Year Ended December 31, 2020				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 3,379,655	$ -	$ -	$ 3,379,655
Sales of parts and equipment	-	3,322,944		-	3,322,944
Furniture and appliances revenue	7,625,222				7,625,222
Construction	-	-	1,120,224	-	1,120,224
Total Revenue	7,625,222	6,702,599	1,120,224	-	15,448,045
Total cost of sales	5,866,414	2,874,792	665,022	-	9,406,228
Total operating expenses	1,986,775	5,000,313	681,040	896,095	8,564,223
Loss from operations	$ (227,967)	$ (1,172,506)	$ (225,838)	$ (896,095)	$ (2,522,406)

	Year Ended December 31, 2019				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 4,201,414	$ -	$ -	$ 4,201,414
Sales of parts and equipment	-	2,178,611	-	-	2,178,611
Furniture and appliances revenue	-	-	-	-	-
Total Revenue	-	6,380,025	-	-	6,380,025
Total cost of sales	-	1,830,067	-	-	1,830,067
Total operating expenses	-	5,707,272	-	161,441	5,868,713
Loss from operations	$ -	$ (1,157,314)	$ -	$ (161,441)	$(1,318,755)

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Cash Equivalents and Investments	12 Months Ended Dec. 31, 2020
Cash and Cash Equivalents [Abstract]	
CASH EQUIVALENTS AND INVESTMENTS	**NOTE 4—CASH EQUIVALENTS AND INVESTMENTS**

	December 31, 2020	December 31, 2019
Cash and cash equivalents		
Operating accounts	$ 1,393,369	$ 174,290
Restricted accounts	403,811	-
Subtotal	$ 1,797,180	$ 174,290
Held to Maturity Investments		
Restricted accounts - certificates of deposit (4 – 24 month maturities, FDIC insured)	$ 276,270	$ -
Subtotal	$ 276,270	$ -
TOTAL	$ 2,073,450	$ 174,290

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Discontinued Operations	12 Months Ended Dec. 31, 2020
Discontinued Operations and Disposal Groups [Abstract]	
DISCONTINUED OPERATIONS	**NOTE 5—DISCONTINUED OPERATIONS** ASC 360-10-45-9 requires that a long-lived asset (disposal group) to be sold shall be classified as held for sale in the period in which a set of criteria have been met, including criteria that the sale of the asset (disposal group) is probable and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. This criteria was achieved on September 10, 2020, when the board approved the Goedeker Spin-Off and subsequently on October 23, 2020, when the Company completed the Goedeker Spin-Off. Additionally, the discontinued operations are comprised of the entirety of the business of Goedeker. Lastly, for comparability purposes certain prior period line items relating to the assets held for sale have been reclassified and presented as discontinued operations for all periods presented in the accompanying consolidated statements of operations, consolidated statements of cash flows, and the consolidated balance sheets. In accordance with ASC 205-20-S99, “Allocation of Interest to Discontinued Operations”, the Company elected to not allocate consolidated interest expense to discontinued operations where the debt is not directly attributable to or related to discontinued operations. The following information presents the major classes of line item of assets and liabilities included as part of discontinued operations in the consolidated balance sheet as of December 31, 2019. There was no balance sheet upon the completion of the Goedeker Spin-off.

	December 31, 2019
Current Assets – discontinued operations:	
Cash	$ 64,470
Accounts receivable, net	1,862,086
Vendor deposits	294,960
Inventories, net	1,380,090
Prepaid expenses and other current assets	892,796
Total current assets – discontinued operations	$ 4,494,402
Noncurrent Assets – discontinued operations:	
Property and equipment, net	185,606
Operating lease right of use assets	2,000,755
Goodwill	4,976,016
Intangible assets, net	1,878,844
Deferred tax asset	698,303
Other assets	45,000
Total noncurrent assets	$ 9,784,524
Current liabilities – discontinued operations:	
Accounts payable and accrued expenses	$ 2,465,220
Current portion of operating lease liability	422,520
Advances, related party	137,500
Lines of credit	1,250,930
Notes payable – current portion	2,068,175
Warrant liability	122,344
Convertible promissory note – current portion	584,943

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Customer deposits	4,164,296
Total current liabilities – discontinued operations	$ 11,215,928
Long term liabilities – discontinued operations:	
Operating lease liability – long term, net of current portion	1,578,235
Notes payable – long term, net of current portion	2,231,469
Contingent note payable	49,248
Total long term liabilities – discontinued operations	$ 3,858,952

The following information presents the major classes of line items constituting the after-tax loss from discontinued operations in the consolidated statements of operations for the period from January 1, 2020 through October 23, 2020 and the year ended December 31, 2019:

	Period from January 1, 2020 through October 23, 2020	**Period from April 6, 2019 through December 31, 2019**
REVENUES		
Furniture and appliances revenue	$ 42,715,266	$ 34,668,113
TOTAL REVENUE		
OPERATING EXPENSES		
Cost of sales	35,613,453	28,596,127
Personnel costs	4,715,687	2,909,752
Depreciation and amortization	276,914	271,036
General and administrative	7,022,720	4,608,434
TOTAL OPERATING EXPENSES	47,628,774	7,789,221
NET LOSS FROM OPERATIONS	(4,919,059)	(1,717,238)
OTHER INCOME (EXPENSE)		
Financing costs	(757,646)	(520,160)
Loss on extinguishment of debt	(1,756,095)	-
Interest expense, net	(604,909)	(683,211)
Loss on acquisition receivable	(809,000)	-
Change in warrant liability	(2,127,656)	106,900
Interest income	9,674	-
Other income (expense)	-	15,010
TOTAL OTHER INCOME (EXPENSE)	(6,045,632)	(1,049,215)
NET LOSS BEFORE INCOME TAXES	(10,964,691)	(2,766,453)
INCOME TAX BENEFIT	(698,303)	(698,303)
NET LOSS BEFORE NON-CONTROLLING INTERESTS	(11,662,984)	(2,068,150)
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4,491,222)	(620,445)
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS	$ (7,172,772)	$ (1,447,705)

The following information presents the major classes of line items constituting significant operating, investing and financing cash flow activities in the unaudited consolidated statements of cash flows relating to discontinued operations:

	Period from January 1, 2020 through	**Period from April 6, 2019 through**

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	October 23, 2020	December 31, 2019
Cash flows from operating activities of discontinued operations:		
Net loss	$(11,662,994)	$ (2,068,152)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities of discontinued operations:		
Depreciation and amortization	276,913	271,036
Stock compensation	281,194	599,814
Amortization of financing costs	842,174	-
Loss on extinguishment of debt	1,955,787	-
Gain on write-down of contingent liability	-	(32,246)
Write-off of acquisition receivable	809,000	-
Change in fair value of warrant liability	2,127,656	(106,900)
Changes in operating assets and liabilities:		
Accounts receivable	(3,585,090)	(1,405,904)
Vendor deposits	(252,688)	(294,960)
Inventory	(2,055,293)	471,161
Prepaid expenses and other assets	(1,106,409)	167,066
Change in operating lease right-of-use assets	-	299,245
Deferred tax asset	698,303	(698,303)
Accounts payable and accrued expenses	381,443	(1,464,657)
Customer deposits	14,427,180	1,855,990
Operating lease liability	-	(299,245)
Net cash provided by (used in) operating activities from discontinued operations	3,137,176	(2,706,053)
Cash flows from investing activities in discontinued operations:		
Purchase of property and equipment	(51,059)	(2,200)
Net cash provided by investing activities in discontinued operations	(51,059)	(2,200)
Cash flows from financing activities in discontinued operations:		
Proceeds from initial public offering	8,602,166	-
Proceeds from notes payable	642,600	1,500,000
Repayment of notes payable	(2,818,098)	(357,207)
Payments on convertible notes payable	-	650,000
Net borrowings (payments) from lines of credit	(1,339,430)	1,339,430
Cash paid for financing costs	(105,279)	(359,500)
Net cash used in financing activities	$ 4,981,959	$ 2,772,723

The following are the financial options of the discontinued operations:

Lines of Credit

Burnley Capital LLC

On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with Burnley Capital LLC ("Burnley") for revolving loans in an aggregate principal amount that will not exceed the lesser of (i) the borrowing base (as defined in the loan and security agreement) or (ii) $1,500,000 minus reserves established Burnley at any time in accordance with the loan and security agreement. In connection with the closing of the acquisition of Goedeker Television on April 5, 2019, Goedeker borrowed $744,000 under the loan and security agreement and issued a revolving note to Burnley in the principal amount of up to $1,500,000. As of December 31, 2019, the balance of the line of credit was $571,997.

On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the revolving note in full and the loan and security agreement was terminated. The total payoff amount

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was $118,194, consisting of principal of $32,350, interest of $42 and prepayment, legal, and other fees of $85,802.

Northpoint Commercial Finance LLC

On June 24, 2019, Goedeker, as borrower, entered into a loan and security agreement with Northpoint Commercial Finance LLC, which was amended on August 2, 2019, for revolving loans up to an aggregate maximum loan amount of $1,000,000 for the acquisition, financing or refinancing by Goedeker of inventory at an interest rate of LIBOR plus 7.99%. As of December 31, 2019, the balance of the line of credit was $678,993. Goedeker terminated the loan and security agreement on May 18, 2020 and there is no outstanding balance as of October 23, 2020.

Notes Payable and Warrant Liability

Arvest Loan

On August 25, 2020, Goedeker entered into a promissory note and security agreement with Arvest Bank for a loan in the principal amount of $3,500,000. As of October 23, 2020, the outstanding balance of this loan is $3,340,602, comprised of principal of $3,446,126, net of unamortized loan costs of $103,524.

PPP Loan

On April 8, 2020, Goedeker received a $642,600 PPP loan from the United States Small Business Administration under provisions of the CARES Act. The PPP loan has an 18-month term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loan contains events of default and other provisions customary for a loan of this type. The PPP provides that the loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The balance of the PPP loan was $642,600 as of October 23, 2020 and was classified as a current liability. Goedeker repaid the PPP loan on November 2, 2020.

Small Business Community Capital II, L.P.

On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with Small Business Community Capital II, L.P. ("SBCC") for a term loan in the principal amount of $1,500,000, pursuant to which Goedeker issued to SBCC a term note in the principal amount of up to $1,500,000 and a ten-year warrant to purchase shares of the most senior capital stock of Goedeker equal to 5.0% of the outstanding equity securities of Goedeker on a fully-diluted basis for an aggregate price equal to $100. As of December 31, 2019, the balance of the note was $999,201.

On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the term note in full and the loan and security agreement was terminated. The total payoff amount was $1,122,412 consisting of principal of $1,066,640, interest of $11,773 and prepayment, legal, and other fees of $43,999.

Goedeker classified the warrant as a derivative liability on the balance sheet at June 30, 2020 of $2,250,000 based on the estimated value of the warrant in the Goedeker IPO. The increase in the value of the warrant from the estimated value of $122,344 at December 31, 2020 resulted in a charge of $2,127,656 during the period January 1, 2020 through October 23, 2020 (date of distribution). Immediately prior to the closing of the Goedeker IPO on August 4, 2020, SBCC converted the warrant into 250,000 shares of common stock.

Notes payable, related parties

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A portion of the purchase price for the acquisition of Goedeker Television was paid by the issuance by Goedeker to Steve Goedeker, as representative of Goedeker Television, of a 9% subordinated promissory note in the principal amount of $4,100,000. As of December 31, 2019, the balance of the note was $3,300,444.

Pursuant to a settlement agreement, the parties entered into an amendment and restatement of the note that became effective as of the closing of the Goedeker IPO on August 4, 2020, pursuant to which (i) the principal amount of the existing note was increased by $250,000, (ii) upon the closing of the Goedeker IPO, Goedeker agreed to make all payments of principal and interest due under the note through the date of the closing, and (iii) from and after the closing, the interest rate of the note was increased from 9% to 12%. In accordance with the terms of the amended and restated note, Goedeker used a portion of the proceeds from the Goedeker IPO to pay $1,083,842 of the balance of the note representing a $696,204 reduction in the principal balance and interest accrued through August 4, 2020 of $387,638.

Goedeker refinanced this note payable with proceeds from the loan from Arvest Bank. In connection with the refinance, Goedeker recorded a $757,239 loss on extinguishment of debt consisting of a $250,000 forbearance fee, write-off of unamortized loan discount of $338,873, and write-off of unamortized debt costs of $168,366.

Convertible Promissory Note

On April 5, 2019, the Company, Holdco and Goedeker entered into a securities purchase agreement with Leonite Capital LLC, a Delaware limited liability company, pursuant to which they issued to Leonite Capital LLC a secured convertible promissory note in the aggregate principal amount of $714,286 due April 5, 2020. See Note 13 for further details of the convertible promissory note.

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Receivables	12 Months Ended Dec. 31, 2020
Receivables [Abstract]	
RECEIVABLES	**NOTE 6—RECEIVABLES** At December 31, 2020 and 2019, receivables consisted of the following:

	December 31, 2020	December 31, 2019
Credit card payments in process of settlement	$ 158,924	$ -
Trade receivables from customers	715,410	620,370
Total receivables	874,334	620,370
Allowance for doubtful accounts	(14,614)	(29,001)
Accounts receivable, net	$ 859,720	$ 591,369

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Inventories	12 Months Ended Dec. 31, 2020

Inventory Disclosure [Abstract]

INVENTORIES

NOTE 7—INVENTORIES

At December 31, 2020 and 2019, the inventory balances are composed of:

	December 31, 2020	December 31, 2019
Machinery and Equipment	$ 331,935	$ 119,444
Parts	147,999	142,443
Appliances	2,029,270	-
Subtotal	2,509,204	261,887
Allowance for inventory obsolescence	(181,371)	(26,545)
Inventories, net	$ 2,327,833	$ 235,342

Inventory and accounts receivable are pledged to secure a loan from Home State Bank described below.

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Property and Equipment	12 Months Ended Dec. 31, 2020
Property, Plant and Equipment [Abstract]	
PROPERTY AND EQUIPMENT	

NOTE 8—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020 and 2019:

Classification		December 31, 2020		December 31, 2019
Buildings and improvements	$	47,939	$	5,338
Equipment and machinery		3,127,158		3,019,638
Tractors		2,578,296		2,694,888
Trucks and other vehicles		1,363,156		1,138,304
Total		7,116,549		6,858,168
Less: Accumulated depreciation		(4,792,202)		(3,676,347)
Property and equipment, net	$	2,324,347	$	3,181,821

Depreciation expense for the years ended December 31, 2020 and 2019 was $1,295,744 and $1,378,952, respectively.

All Neese property and equipment are pledged to secure loans from Home State Bank as described below.

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Intangible Assets	12 Months Ended Dec. 31, 2020
Goodwill and Intangible Assets Disclosure [Abstract]	
INTANGIBLE ASSETS	NOTE 9—INTANGIBLE ASSETS

NOTE 9—INTANGIBLE ASSETS

The following provides a breakdown of identifiable intangible assets as of December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Customer Relationships		
Identifiable intangible assets, gross	$ 3,223,000	$ 34,000
Accumulated amortization	(89,486)	(19,267)
Customer relationship identifiable intangible assets, net	3,133,514	14,733
Marketing Related		
Identifiable intangible assets, gross	841,000	-
Accumulated amortization	(81,114)	-
Marketing related identifiable intangible assets, net	759,886	-
Total Identifiable intangible assets, net	$ 3,893,400	$ 14,733

In connection with the acquisitions of Asien's, Neese and Kyle's, the Company identified intangible assets of $1,009,000, $34,000 and $3,021,000, respectively, representing trade names and customer relationships. These assets are being amortized on a straight-line basis over their weighted average estimated useful life of 9.5 years and amortization expense amounted to $151,333 and $14,733 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020, the estimated annual amortization expense for each of the next five fiscal years is as follows:

2021	$ 397,988
2022	392,321
2023	391,188
2024	391,173
2025	258,169
Thereafter	2,062,561
Total	$ 3,893,400

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Acquisitions	12 Months Ended Dec. 31, 2020

Business Combinations [Abstract]

ACQUISITIONS

NOTE 10—ACQUISITIONS

Goedeker

On January 18, 2019, Goedeker entered into an asset purchase agreement with Goedeker Television and Steve Goedeker and Mike Goedeker (the "Stockholders"), pursuant to which Goedeker agreed to acquire substantially all of the assets of Goedeker Television used in its retail appliance and furniture business (the "Goedeker Business").

On April 5, 2019, Goedeker, 1847 Goedeker, and the Stockholders entered into an amendment to the asset purchase agreement and closing of the acquisition of substantially all of the assets of Goedeker Television used in the Goedeker Business was completed (the "Goedeker Acquisition").

The aggregate purchase price was $6,200,000 consisting of: (i) $1,500,000 in cash, subject to adjustment; (ii) the issuance of a promissory note in the principal amount of $4,100,000; and (iii) up to $600,000 in earn out payments (as described below). As additional consideration, 1847 Goedeker agreed to issue to each of the Stockholders a number of shares of its common stock equal to a 11.25% non-dilutable interest (22.5% total) in all of the issued and outstanding stock of 1847 Goedeker as of the closing date.

The cash portion was decreased by the amount of outstanding indebtedness of Goedeker Television for borrowed money existing as of the closing. As a result, the cash portion was adjusted to $478,000.

The asset purchase agreement also provided for an adjustment to the purchase price based on the difference between actual working capital at closing and Goedeker Television's preliminary estimate of closing date working capital. In accordance with the asset purchase agreement, an independent CPA firm was retained by Goedeker and Goedeker Television to resolve differences in the working capital amounts. The report issued by that CPA firm determined that Goedeker Television owed Goedeker $809,000, which Goedeker Television has not paid. On or about March 23, 2020, Goedeker submitted a claim for arbitration to the American Arbitration Association relating to Goedeker Television's failure to pay the amount owed. The claim alleges, *inter alia*, breach of contract, fraud, indemnification and the breach of the covenant of good faith and fair dealing. Goedeker is alleging damages in the amount of $809,000, plus attorneys' fees and costs. The $809,000 is included in other assets in the accompanying balance sheet as of December 31, 2019.

On June 1, 2020, Goedeker entered into a settlement agreement with Goedeker Television, Steve Goedeker, Mike Goedeker and 1847 Goedeker. The settlement agreement and the related transaction documents that are exhibits to the settlement agreement were all signed on June 1, 2020 but only became effective upon the closing of the Goedeker IPO. Pursuant to the settlement agreement, the parties entered into an amendment and restatement of the 9% subordinated promissory note described above (see Note 5). In addition, the parties agreed that the arbitration action described above would be settled effective upon the closing of the Goedeker IPO and that each party to such arbitration action would release all claims that it has against the other parties to such action. As part of the settlement of the arbitration action, Goedeker agreed that the sellers will not have to pay the $809,000 working capital adjustment amount resulting in a loss on the acquisition receivable in the year ended December 31, 2020.

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Goedeker Television is also entitled to receive the following earn out payments to the extent the Goedeker Business achieves the applicable EBITDA (as defined in the asset purchase agreement) targets:

1. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the closing date is $2,500,000 or greater;

2. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the first anniversary of closing date is $2,500,000 or greater; and

3. An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the second anniversary of the closing date is $2,500,000 or greater.

To the extent the EBITDA of the Goedeker Business for any applicable period is less than $2,500,000 but greater than $1,500,000, Goedeker must pay a partial earn out payment to Goedeker Television in an amount equal to the product determined by multiplying (i) the EBITDA Achievement Percentage by (ii) the applicable earn out payment for such period, where the "Achievement Percentage" is the percentage determined by dividing (A) the amount of (i) the EBITDA of the Goedeker Business for the applicable period less (ii) $1,500,000, by (B) $1,000,000. For avoidance of doubt, no partial earn out payments shall be earned or paid to the extent the EBITDA of the Goedeker Business for any applicable period is equal or less than $1,500,000. For the trailing twelve (12) month period from the closing date, EBITDA for the Goedeker Business was $(2,825,000), so Goedeker Television is not entitled to an earn out payment for that period.

To the extent Goedeker Television is entitled to all or a portion of an earn out payment, the applicable earn out payment(s) (or portion thereof) shall be paid on the date that is three (3) years from the closing date, and shall accrue interest from the date on which it is determined Goedeker Television is entitled to such earn out payment (or portion thereof) at a rate equal to five percent (5%) per annum, computed on the basis of a 360 day year for the actual number of days elapsed.

The Company determined the fair value of the earnout on the date of acquisition was $81,494. Such amount was recorded as a contingent consideration liability within the accounts payable and accrued expense line item on the consolidated balance sheet and is revalued to fair value each reporting period until settled. The year 1 contingent liability of $32,246 was written-off in the year ended December 31, 2019 as the target was not met and the balance of the liability at October 23, 2020 is $49,248.

The provisional fair value of the purchase consideration issued to Goedeker Television was allocated to the net tangible assets acquired. The Company accounted for the Goedeker Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net liabilities assumed was approximately $614,337. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows the analysis for the Goedeker asset purchase:

Purchase consideration at final fair value:	
Note payable, net of $462,102 debt discount and $215,500 of capitalized financing costs	$ 3,422,398
Contingent note payable	81,494
Non-controlling interest	979,523
Amount of consideration	$ 4,483,415

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Assets acquired and liabilities assumed at fair value	
Accounts receivable	$ 334,446
Inventories	1,851,251
Working capital adjustment receivable and other assets	1,104,863
Property and equipment	216,286
Customer related intangibles	749,000
Marketing related intangibles	1,368,000
Accounts payable and accrued expenses	(3,929,876)
Customer deposits	(2,308,307)
Net tangible assets acquired (liabilities assumed)	$ (614,337)

Total net assets acquired (liabilities assumed)	$ (614,337)
Consideration paid	4,483,415
Goodwill	$ 5,097,752

On October 23, 2020, the Company completed a distribution of Goedeker. As a result of this distribution, Goedeker is no longer a majority-owned subsidiary of the Company. The distribution therefore resulted in the disposition of the business and assets of Goedeker (see Note 21).

Asien's

On March 27, 2020, the Company and 1847 Asien entered into a stock purchase agreement with the Asien's Seller, pursuant to which 1847 Asien agreed to acquire all of the issued and outstanding capital stock of Asien's. The Company acquired Asien's, which provides a wide variety of appliance services, including sales, delivery/installation, in-home service and repair, extended warranties, and financing in the North Bay area of Sonoma County, California, to expand into the appliance industry.

On May 28, 2020, the Company, 1847 Asien, Asien's and the Asien's Seller entered into an amendment to the stock purchase agreement and closing of the acquisition of all of the issued and outstanding capital stock of Asien's was completed (the "Asien's Acquisition").

The aggregate purchase price was $2,125,000 consisting of: (i) $233,000 in cash, subject to adjustment; (ii) the issuance of an amortizing promissory note in the principal amount of $200,000; (iii) the issuance of a demand promissory note in the principal amount of $655,000; and (iv) 415,000 common shares of the Company, having a mutually agreed upon value of $830,000 and a fair value of $1,037,500, which may be repurchased by 1847 Asien for a period of one year following the closing at a purchase price of $2.50 per share. The shares were repurchased by 1847 Asien on July 29, 2020.

The fair value of the purchase consideration issued to the Asien's Seller was allocated to the net tangible assets acquired. The Company accounted for the Asien's Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $1,171,272. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows analysis for the Asien's Acquisition:

Purchase Consideration at fair value:	
Common shares	$ 1,037,500
Notes payable	855,000
Due to seller	233,000

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Amount of consideration	$ 2,125,500
Assets acquired and liabilities assumed at fair value	
Cash	$ 1,501,285
Accounts receivable	235,746
Inventories	1,457,489
Other current assets	41,427
Deferred tax asset	11,653
Property and equipment	157,052
Customer related intangibles	462,000
Marketing related intangibles	547,000
Accounts payable and accrued expenses	(280,752)
Customer deposits	(2,405,703)
Notes payable	(509,272)
Other liabilities	(23,347)
Net assets acquired	$ 1,182,925

Total net assets acquired	$ 1,171,272
Consideration paid	2,125,500
Goodwill	$ 942,575

The estimated useful life remaining on the property and equipment acquired is 5 to 13 years.

Kyle's

On August 27, 2020, the Company and 1847 Cabinet entered into a stock purchase agreement with Kyle's and the Asien's Seller, pursuant to which 1847 Cabinet agreed to acquire all of issued and outstanding capital stock of Kyle's. The Company acquired Kyle's, a leading custom cabinetry maker servicing contractors and homeowners in Boise, Idaho, to expand into contracting services.

On September 30, 2020, the Company, 1847 Cabinet, Kyle's and the Kyle's Sellers entered into addendum to the stock purchase and closing of the acquisition of all of the issued and outstanding capital stock of Kyle's was completed (the "Kyle's Acquisition")

The aggregate purchase price was $6,650,000, subject to adjustment as described below. The purchase price consists of (i) $4,200,000 in cash, (ii) an 8% contingent subordinated note in the aggregate principal amount of $1,050,000, and (iii) 700,000 common shares of the Company, having a mutually agreed upon value of $1,400,000 and a fair value of $3,675,000. The shares were issued on October 16, 2020, immediately following the record date for the Goedeker Spin-Off described above.

The purchase price is subject to a post-closing working capital adjustment provision based on the difference between actual working capital at closing and the Kyle's Sellers' preliminary estimate of closing date working capital. If the final working capital exceeds the preliminary working capital estimate, 1847 Cabinet must pay to the Kyle's Sellers an amount of cash that is equal to such excess. If the preliminary working capital estimate exceeds the final working capital, the Kyle's Sellers must pay to 1847 Cabinet an amount in cash equal to such excess, provided, however, that the Kyle's Sellers may, at their option, in lieu of paying such excess in cash, deliver and transfer to 1847 Cabinet a number of common shares of the Company that is equal to such excess divided by $2.00.

In addition to the post-closing net working capital adjustment described above, there was a target working capital adjustment, pursuant to which if at the closing the preliminary working capital exceeded a target working capital of $154,000, then the purchase price would be increased at the

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closing by the amount of such difference. Accordingly, as a result of the target working capital adjustment, the cash portion of the purchase price at the closing was $4,356,162.

The fair value of the purchase consideration issued to the Kyle's Sellers was allocated to the net tangible assets acquired. The Company accounted for the Kyle's Acquisition as the purchase of a business under GAAP under the acquisition method of accounting, and the assets and liabilities acquired were recorded as of the acquisition date, at their respective fair values and consolidated with those of the Company. The fair value of the net assets acquired was approximately $527,618. The excess of the aggregate fair value of the net tangible assets has been allocated to goodwill.

The table below shows an analysis for the Kyle's Acquisition:

Purchase Consideration at fair value:	
Common shares	$3,675,000
Notes payable	498,979
Due to seller	4,389,792
Amount of consideration	$8,563,771
Assets acquired and liabilities assumed at fair value	
Cash	$ 130,000
Accounts receivable	385,095
Costs in excess of billings	122,016
Other current assets	13,707
Property and equipment	200,737
Customer related intangibles	2,727,000
Marketing related intangibles	294,000
Accounts payable and accrued expenses	(263,597)
Billings in excess of costs	(43,428)
Other liabilities	(49,000)
Net tangible assets acquired	$3,516,530
Total net assets acquired	$3,516,530
Consideration paid	8,563,771
Goodwill	$5,047,243

The estimated useful life remaining on the property and equipment acquired is 3 to 7 years.

Proforma

The following unaudited proforma results of operations are presented for information purposes only. The unaudited proforma results of operations are not intended to present actual results that would have been attained had the Asien's Acquisition and Kyle's Acquisition been completed as of January 1, 2019 or to project potential operating results as of any future date or for any future periods. The revenue and net loss before non-controlling interest of Asien's since the May 28, 2020 acquisition date through December 31, 2020 included in the consolidated statement of operations amounted to approximately $7,625,222 and $431,641, respectively. The revenue and net loss before non-controlling interest of Kyle's since the September 30, 2020 acquisition date through December 31, 2020 included in the consolidated statement of operations amounted to approximately $1,120,224 and $380,500, respectively. The unaudited proforma also removes the effect of Goedeker as if it had been disposed of on January 1, 2019.

	Year Ended December 31,	
	2020	**2019**
Revenues, net	$24,376,944	$23,849,214

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Net income (loss)	$ (1,402,208)	$ (230,704)
Basic earnings (loss) per share	$ (0.31)	$ (0.05)
Diluted earnings (loss) per share	$ (0.31)	$ (0.05)
Basic Number of Shares (a)	4,561,840	4,230,625
Diluted Number of Shares (a)	4,561,840	4,230,625

Note: (a) shares assuming as if issued as of Jan 1.

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Notes Payable	12 Months Ended Dec. 31, 2020
Debt Disclosure [Abstract]	
NOTES PAYABLE	

NOTE 11—NOTES PAYABLE

1847 Neese/Neese

Home State Bank

On June 13, 2018, Neese entered into a term loan agreement with Home State Bank, pursuant to which Neese issued a promissory note to Home State Bank in the principal amount of $3,654,074 with an annual interest rate of 6.85% and with covenants to maintain a minimum debt coverage ratio of 1.00 to 1.25 measured at December 31, 2020. Neese met this covenant for the year ended December 31, 2020. On July 30, 2020, Neese entered into a change in terms agreement with Home State Bank to amend the terms of the term loan. Pursuant to the change in terms agreement: (i) the maturity date was extended to July 30, 2022; (ii) the interest rate was changed to 5.50%; (iii) Neese agreed to pay accrued interest in the amount of $95,970; (iv) Neese agreed to make payments of $30,000 beginning on September 30, 2020 and continuing thereafter on a monthly basis until maturity, at which time a final interest payment is due; (v) Neese agreed to make a payment of $260,000 on December 30, 2020 and December 30, 2021; (vi) Neese agreed to make two new advances under the note in the amounts $51,068 and $517,529 to repay in full Neese's capital lease transactions due to Utica Leaseco LLC described below; (vii) Neese agreed to pay a loan fee of $17,500; and (viii) Home State Bank agreed to make a loan advance to checking for $17,500. The balance of the note amounts to $3,225,321, comprised of principal of $3,239,176, net of unamortized debt discount of $13,855 as of December 31, 2020.

The loan agreement contains customary representations and warranties and events of default. Upon an event of default, the interest rate on the note will be increased by 3 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law. The loan is secured by inventory, accounts receivable, and certain fixed assets of Neese. The loan agreement limited the payment of interest on the 10% promissory note described below to $40,000 annually. The Company continues to accrue interest at the contractual amounts. Such accruals (in excess of $40,000 in interest on the promissory note) are shown as long-term accrued expenses in the accompanying balance sheet as of December 31, 2020.

If the Company sells property, plant, and equipment securing the loan, it must remit the appraised value of the equipment to Home State Bank. During the years ended December 31, 2020 and 2019, $0 and $30,500, respectively, was remitted to Home State Bank pursuant to this requirement.

The Company adopted ASU 2015-03 by deducting debt issuance costs from the long-term portion of the loan. Amortization of the Home State Bank debt issuance costs totaled $15,513 and $18,645 for the years ended December 31, 2020 and 2019, respectively.

10% Promissory Note

A portion of the purchase price for the acquisition of Neese was paid by the issuance of a promissory note in the principal amount of $1,025,000 by 1847 Neese and Neese to the Neese Sellers. The note bears interest on the outstanding principal amount at the rate of ten percent (10%) per annum and was due and payable in full on March 3, 2018. The note is unsecured and contains customary events of default. The note has not been repaid, so the Company is in default under this note. Under terms of the term loan with Home State Bank described above, this note may not be paid until the term loan is paid in full. The payees on the note agreed to the modification of its terms by signing the loan agreement for the Home State Bank term loan. Accordingly, the loan is shown as a long-term liability as of December 31, 2020. Additionally, Home State Bank limits the payment of interest on this note to $40,000 annually. The Company continues to accrue interest at

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the contract rate; however, given the limitations of the term loan, all accrued interest in excess of $40,000 is included in long-term accrued expenses.

1847 Asien/Asien's

Arvest Bank

On July 10, 2020, Asien's entered into a promissory note and security agreement with Arvest Bank for a revolving loan for up to $400,000. The loan matures on July 10, 2021 and bears interest at 5.25% per annum, subject to change in accordance with the Variable Rate (as defined in the promissory note and security agreement), the calculation for which is the U.S. Prime Rate plus 2%. Pursuant to the terms of the promissory note and security agreement, Asien's is required to make monthly payments beginning on August 10, 2020 and until the maturity date, at which time all unpaid principal and interest will be due. Asien's may prepay the loan in full or in part at any time without penalty. The promissory note and security agreement contains customary representations, warranties, affirmative and negative covenants and events of default for a loan of this type. The loan is secured by Asien's inventory and equipment, accounts and other rights of payments, and general intangibles, as such terms are defined in the Uniform Commercial Code. The remaining principal balance of the note at December 31, 2020 is $301,081 and it has accrued interest of $995.

8% Subordinated Amortizing Promissory Note

A portion of the purchase price for acquisition of Asien's was paid by the issuance of an 8% subordinated amortizing promissory note in the principal amount of $200,000 by 1847 Asien to the Asien's Seller. Interest on the outstanding principal amount will be payable quarterly at the rate of eight percent (8%) per annum. The outstanding principal amount of the note will amortize on a one-year straight-line basis in accordance with a specified amortization schedule, with all unpaid principal and accrued, but unpaid interest being fully due and payable on May 28, 2021. The note contains customary events of default. The right of the Asien's Seller to receive payments under the note is subordinated to all indebtedness of 1847 Asien to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities. The remaining principal balance of the note at December 31, 2020 is $101,980 and it has accrued interest of $1,095.

6% Amortizing Promissory Note

On July 29, 2020, 1847 Asien entered into a securities purchase agreement with the Asien's Seller, pursuant to which the Asien's Seller sold to 415,000 of the Company's common shares to 1847 Asien a purchase price of $2.50 per share. As consideration, 1847 Asien issued to the Asien's Seller a two-year 6% amortizing promissory note in the aggregate principal amount of $1,037,500. One-half (50%) of the outstanding principal amount of the note ($518,750) and all accrued interest thereon, will be amortized on a two-year straight-line basis and is payable quarterly. The second-half (50%) of the outstanding principal amount of the note ($518,750) with all accrued, but unpaid interest thereon, is due on the second anniversary of the note. The note is unsecured and contains customary events of default. The remaining principal balance of the note at December 31, 2020 is $975,985 and it has accrued interest of $17,894.

Demand Promissory Note

A portion of the purchase price for acquisition of Asien's was paid by the issuance of demand promissory note in the principal amount of $655,000 by 1847 Asien to the Asien's Seller. The note accrued interest at a rate of one percent (1%) computed on the basis of a 360-day year. Principal and accrued interest on the note was payable 24 hours after written demand by the Seller. The note was repaid in June 2020.

Inventory Financing Agreement

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On September 25, 2020, Asien's entered into an inventory financing agreement with Wells Fargo Commercial Distribution Finance, LLC ("Wells Fargo"), pursuant to which Wells Fargo may extend credit to Asien's from time to time to enable it to purchase inventory from Wells Fargo-approved vendors. The term of the agreement is one year, and from year to year thereafter, unless sooner terminated by either party upon 30 days written notice to the other party. The inventory financing agreement contains customary representations, warranties, affirmative and negative covenants and events of default for a loan of this type. The agreement is secured by all assets of Asien's and is guaranteed by 1847 Asien and the Company. As of December 31, 2020, Asien's has not borrowed any funds under this agreement.

4.5% Unsecured Promissory Note

On October 30, 2017, Asien's entered into a stock repurchase agreement with Paul A. Gwilliam and Terri L. Gwilliam, co-trustees of the Gwilliam Family Trust, pursuant to which Asien's issued an unsecured promissory note in the aggregate principal amount of $540,000 for a term of 5 years. The note bears interest at the rate of the 4.25% per annum. The remaining balance of the note at December 31, 2020 is comprised of principal of $41,675.

Agreement of Sale of Future Receipts

On May 28, 2020, 1847 Asien and Asien's entered into an agreement of sale of future receipts with TVT Direct Funding LLC ("TVT"), pursuant to which 1847 Asien and Asien's agreed to sell future receivables with a value of $685,000 to TVT for a purchase price of $500,000. 1847 Asien and Asien's agreed to deliver to TVT 20% of its weekly future receipts, or approximately $23,300, over the course of an estimated seven-month term, or such date when the above amount of receivables has been delivered to TVT. 1847 Asien used the proceeds from this sale to finance the Asien's Acquisition. In addition to all other sums due to TVT under this agreement, 1847 Asien and Asien's agreed to pay to TVT certain additional fees, including a one-time origination fees of $25,000, as reimbursement of costs incurred by TVT for financial and legal due diligence. The future payments under the TVT agreement are secured by a subordinated security interest in all of the tangible and intangible assets of 1847 Asien and Asien's. This agreement was terminated in 2020 and there is no remaining balance at December 31, 2020.

Loans on Vehicles

Asien's has entered into four retail installment sale contracts pursuant to which Asien's agreed to finance its delivery trucks at rates ranging 3.98% to 6.99% with an aggregate remaining principal amount of $90,375 as of December 31, 2020.

1847 Cabinet/Kyle's

Vesting Promissory Note

A portion of the purchase price for the acquisition of Kyle's on September 30, 2020 was paid by the issuance of a vesting promissory note by 1847 Cabinet to the Kyle's Sellers in the principal amount of $1,050,000, which increased to a principal amount of up to $1,260,000 pursuant to the vested percentage calculation described below. Payment of the principal and accrued interest on the note is subject to vesting as described below. The note bears interest on the vested portion of principal amount at the rate of eight percent (8%) per annum. To the extent vested, the vested portion of the principal and all accrued but unpaid interest on such vested portion of the principal shall be paid in one lump sum on the last day of the thirty-sixth (36th) month following the date of the note.

The vested principal of the note due at the maturity date shall be calculated each year based on the average annual consolidated EBITDA (as defined in the note) of 1847 Cabinet for each of the years ended December 31, 2020, 2021 and 2022. The EBITDA for each year shall be divided by $1.4 million multiplied by 100 to obtain the vested percentage. The vested principal for each year shall

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be equal to the vested percentage for that year multiplied by $350,000. To the extent that the vested percentage for the subject year is less than 80%, no portion of the note for that year shall vest. To the extent that the vested percentage for the subject year is equal to or greater than 120%, the vested principal shall be equal to $420,000 for that year and no more. For the year ended December 31, 2020, EBITDA of 1847 Cabinet was approximately $1,531,000, resulting in a vested amount of approximately $415,000.

1847 Cabinet will have the right to redeem all but no less than all of the note at any time prior to the maturity date. If 1847 Cabinet elects to redeem the note, the redemption price will be payable in cash and is equal to the then outstanding vested portion of the principal plus any remaining unvested principal amount plus accrued but unpaid interest thereon (calculated over 36 months). For purposes of this redemption calculation, the "unvested principal amount" shall be $350,000 per year.

The note contains customary events of default. The right of the Kyle's Sellers to receive payments under the note is subordinated to all indebtedness of 1847 Cabinet, whether outstanding as of the closing date or thereafter created, to banks, insurance companies and other financial institutions or funds, and federal or state taxation authorities.

Intercompany Secured Promissory Note

In connection with the acquisition of Kyle's, the Company provided 1847 Cabinet with the funds necessary to pay the cash portion of the purchase price and cover acquisition expenses. In connection therewith, on September 30, 2020, 1847 Cabinet issued a secured promissory note to the Company in the principal amount of $4,525,000, which was amended and restated on December 11, 2020. Pursuant to such amendment and restatement, if and to the extent any amounts are owing under the units described under Note 17 below, due to a default or redemption, in addition to payment obligations due under the note, 1847 Cabinet is required to immediately make payments to the Company so that it may make any required payments in compliance with the terms of the units. The note bears interest at the rate of 16% per annum. The interest is cumulative and any unpaid accrued interest will compound on each anniversary date of the note. Interest is due and payable in arrears on January 15, April 15, July 15 and October 15 commencing January 15, 2021. In the event payment of principal or interest due under the note is not made when due, giving effect to any grace period which may be applicable, or in the event of any other default (as defined in the note), the outstanding principal balance shall from the date of default immediately bear interest at the rate of 5% above the then applicable interest rate for so long as such default continues. The Company may demand payment in full of the note at any time, even if 1847 Cabinet has complied with all of the terms of the note; and the note shall be due in full, without demand, upon a third party sale of all or substantially all the assets and business of 1847 Cabinet or a third party sale or other disposition of any capital stock of 1847 Cabinet. 1847 Cabinet may prepay the note at any time without penalty. The note contains customary events of default, is guaranteed by Kyle's and is secured by all of the assets of 1847 Cabinet and Kyle's. The remaining principal balance of the note at December 31, 2020 is $4,525,000 and it has accrued interest of $182,488.

PPP Loans

On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in PPP loans from the SBA under provisions of the CARES Act. The PPP loans have two-year terms and bear interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loans may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loans contain events of default and other provisions customary for loans of this type. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act. The Company has classified $741,100 of the PPP loans as long-term liabilities upon receiving SBA forgiveness of the loans in early 2021.

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Floor Plan Loans Payable	12 Months Ended Dec. 31, 2020
Floor Plan Loans Payable [Abstract]	
Floor Plan Loans Payable	**NOTE 12—FLOOR PLAN LOANS PAYABLE** At December 31, 2020 and 2019, $0 and $10,581, respectively, of machinery and equipment inventory of Neese was pledged to secure a floor plan loan from a commercial lender. Neese must remit proceeds from the sale of the secured inventory to the floor plan lender and pays a finance charge that can vary monthly at the option of the lender. The balance of the floor plan payable was repaid in 2020.

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Convertible Promissory Note	12 Months Ended Dec. 31, 2020
Debt Disclosure [Abstract]	
Convertible Promissory Note	**NOTE 13—CONVERTIBLE PROMISSORY NOTE** On April 5, 2019, the Company, Holdco and Goedeker (collectively, "1847") entered into a securities purchase agreement with Leonite Capital LLC, a Delaware limited liability company ("Leonite"), pursuant to which 1847 issued to Leonite a secured convertible promissory note in the aggregate principal amount of $714,286 due April 5, 2020. As additional consideration for the purchase of the note, (i) the Company issued to Leonite 50,000 common shares, (ii) the Company issued to Leonite a five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis, and (iii) Holdco issued to Leonite shares of common stock equal to a 7.5% non-dilutable interest in Holdco. The note carries an original issue discount of $64,286 to cover Leonite's legal fees, accounting fees, due diligence fees and/or other transactional costs incurred in connection with the purchase of the note. Furthermore, the Company issued 50,000 common shares valued at $137,500 and a debt-discount related to the warrants valued at $292,673. The Company amortized $292,673 of financing costs related to the shares and warrants in the year ended December 31, 2020. On May 11, 2020, 1847 and Leonite entered into a first amendment to secured convertible promissory note, pursuant to which the parties agreed (i) to extend the maturity date of the note to October 5, 2020, (ii) that 1847's failure to repay the note on the original maturity date of April 5, 2020 shall not constitute and event of default under the note and (iii) to increase the principal amount of the note by $207,145, as a forbearance fee. In connection with the amendment, (i) the Company issued to Leonite another five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis and (ii) upon closing of the Asien's acquisition, 1847 Asien issued to Leonite shares of common stock equal to a 5% interest in 1847 Asien. The amendment represented a prepayment of principal and accrued interest resulting in a debt extinguishment and we recorded an aggregate extinguishment loss of $773,856. Under the note, Leonite had the right at any time at its option to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of the note into fully paid and non-assessable common shares or any shares of capital stock or other securities of the Company into which such common shares may be changed or reclassified. On May 4, 2020, Leonite converted $100,000 of the outstanding balance of the note into 100,000 common shares. On July 21, 2020, Leonite converted $50,000 of the outstanding balance of the note into 50,000 common shares. On August 4, 2020, Goedeker used a portion of the proceeds from the Goedeker IPO to repay the note in full. The total payoff amount was $780,653, consisting of principal of $771,431 and interest of $9,222. On September 2, 2020, the Company entered into amendment to the warrant issued to Leonite on April 5, 2019. Pursuant to the amendment, the parties amended the warrant to allow for the conversion of the warrant into 180,000 common shares in exchange for Leonite's surrender of the remaining 20,000 common shares underlying this warrant, as well as all 200,000 common shares underlying the second warrant issued to Leonite on May 11, 2020. On September 2, 2020, Leonite exercised the first warrant in accordance with the foregoing amendment and the Company issued 180,000 common shares to Leonite. As a result of this exercise, both warrants were cancelled.

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Financing Lease	12 Months Ended Dec. 31, 2020
Disclosure Text Block Supplement [Abstract]	
Financing Lease	**NOTE 14—FINANCING LEASE**

NOTE 14—FINANCING LEASE

The cash portion of the purchase price for the acquisition of Neese was financed under a capital lease transaction for Neese's equipment with Utica Leaseco, LLC ("Utica"), pursuant to a master lease agreement, dated March 3, 2017, between Utica, as lessor, and 1847 Neese and Neese, as co-lessees (collectively, the "Lessee"), which was amended on June 14, 2017. Under the master lease agreement, as amended, Utica loaned an aggregate of $3,240,000 for certain of Neese's equipment listed therein, which it leases to the Lessee. A portion of the proceeds from the term loan from Home State Bank (see Note 11) were applied to reduce the balance of this lease to $475,000. The lease was payable in 46 payments of $12,882 beginning July 3, 2018 and an end-of-term buyout of $38,000.

On October 31, 2017, the parties entered into a second equipment schedule to the master lease agreement, pursuant to which Utica loaned an aggregate of $980,000 for certain of Neese's equipment listed therein. The term of the second equipment schedule was 51 months and agreed monthly payments are $25,807.

On July 29, 2020, the Company paid $568,597 to repay this capital lease transaction with Utica in full.

The Company adopted ASU 2015-03 by deducting debt issuance costs from the long-term portion of the loan. Amortization of the Utica debt issuance costs totaled $23,360 and $11,055 for the years ended December 31, 2020 and 2019, respectively.

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Operating Leases	12 Months Ended Dec. 31, 2020

Lease [Abstract]

Operating Leases

NOTE 15—OPERATING LEASES

Neese

On March 3, 2017, Neese entered into an agreement of lease with K&A Holdings, LLC, a limited liability company that is wholly owned by officers of Neese. The agreement of lease is for a term of ten (10) years and provides for a base rent of $8,333 per month. In the event of late payment, interest shall accrue on the unpaid amount at the rate of eighteen percent (18%) per annum. The agreement of lease contains customary events of default, including if Neese shall fail to pay rent within five (5) days after the due date, or if Neese shall fail to perform any other terms, covenants or conditions under the agreement of lease, and other customary representations, warranties and covenants. Under terms of the term loan agreement with Home State Bank (Note 11), the Company may not pay salary or rent to such officers of Neese in excess of $100,000 per year beginning on the date of the term loan agreement, June 13, 2018. The Company is accruing monthly rent, but because of the limitation in the term loan, $300,000 of accrued rent is classified as a long-term accrued liability.

The amount accrued for amounts included in the measurement of operating lease liabilities was $100,000 for the year ended December 31, 2020.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020	December 31, 2019
Operating lease right-of-use lease asset	$ 624,157	$ 624,157
Accumulated amortization	(122,330)	(59,077)
Net balance	$ 501,827	$ 565,080
Lease liability, current portion	$ 67,725	$ 63,253
Lease liability, long term	434,102	501,827
Total operating lease liabilities	$ 501,827	$ 565,080
Weighted Average Remaining Lease Term - operating leases	74 months	86 months
Weighted Average Discount Rate - operating leases	6.85%	6.85%

Future minimum lease payments under this operating lease as of December 31, 2020 were as follows:

	For the Years Ended
2021	$ 100,000
2022	100,000
2023	100,000
2024	100,000
2025	100,000
Thereafter	116,667
Total lease payments	616,667
Less imputed interest	(114,840)

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Maturities of lease liabilities	$ 501,827

Neese leased a piece of equipment on an operating lease. The lease originated in May 2014 for a five-year term with annual payments of $11,830 with a final payment in July 2019.

Kyle's

On September 1, 2020, Kyle's entered into an industrial lease agreement with the Kyle's Sellers, who are officers of Kyle's and principle shareholders of the Company. The lease is for a term of five years, with an option for a renewal term of five years, and provides for a base rent of $7,000 per month for the first 12 months, which will increase to $7,210 for months 13-16 and to $7,426 for months 37-60. In addition, Kyle's is responsible for all taxes, insurance and certain operating costs during the lease term. In the event of late payment, interest shall accrue on the unpaid amount at the rate of twelve percent (12%) per annum. The lease agreement contains customary events of default, representations, warranties and covenants.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2020
Operating lease right-of-use lease asset	$ 373,916
Accumulated amortization	(15,931)
Net balance	$ 357,985
Lease liability, current portion	66,803
Lease liability, long term	291,182
Total operating lease liabilities	$ 357,985
Weighted Average Remaining Lease Term - operating leases	44 months
Weighted Average Discount Rate - operating leases	5.50%

Future minimum lease payments under this operating lease as of December 31, 2020 were as follows:

	For the Years Ended
2021	$ 84,840
2022	86,520
2023	87,385
2023	89,116
2025	59,410
Total lease payments	407,271
Less imputed interest	(49,286)
Maturities of lease liabilities	$ 357,985

Asien's

Asien's has an office and showroom space that has been leased on a month-by-month basis for $11,665 per month.

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Related Parties	12 Months Ended Dec. 31, 2020
Related Party Transactions [Abstract]	
Related Parties	NOTE 16—RELATED PARTIES

NOTE 16—RELATED PARTIES

Management Services Agreement

On April 15, 2013, the Company and the Manager entered into a management services agreement, pursuant to which the Company is required to pay the Manager a quarterly management fee equal to 0.5% of its adjusted net assets for services performed (the “Parent Management Fee”). The amount of the Parent Management Fee with respect to any fiscal quarter is (i) reduced by the aggregate amount of any management fees received by the Manager under any offsetting management services agreements with respect to such fiscal quarter, (ii) reduced (or increased) by the amount of any over-paid (or under-paid) Parent Management Fees received by (or owed to) the Manager as of the end of such fiscal quarter, and (iii) increased by the amount of any outstanding accrued and unpaid Parent Management Fees. The Company expensed $0 in Parent Management Fees for the years ended December 31, 2020 and 2019.

Offsetting Management Services Agreements

1847 Neese entered into an offsetting management services agreement with the Manager on March 3, 2017, Goedeker entered into an offsetting management services agreement with the Manager on April 5, 2019, which is included in discontinued operations, 1847 Asien entered into an offsetting management services agreement with the Manager on May 28, 2020 and 1847 Cabinet entered into an offsetting management services agreement with our manager on August 21, 2020. Pursuant to the offsetting management services agreements, 1847 Neese appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, Goedeker appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, 1847 Asien appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement) and 1847 Cabinet appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement); provided, however, in each case that (i) pro rated payments shall be made in the first quarter and the last quarter of the term, (ii) if the aggregate amount of management fees paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to any fiscal year exceeds, or is expected to exceed, 9.5% of the Company’s gross income with respect to such fiscal year, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for any remaining fiscal quarters in such fiscal year shall be reduced, on a pro rata basis determined by reference to the management fees to be paid to the Manager by all of the subsidiaries of the Company, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to such fiscal year, does not exceed 9.5% of the Company’s gross income with respect to such fiscal year, and (iii) if the aggregate amount the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to any fiscal quarter exceeds, or is expected to exceed, the Parent Management Fee with respect to such fiscal quarter, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for such fiscal quarter shall be reduced, on a pro rata basis, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to such fiscal quarter, does not exceed the Parent Management Fee calculated and payable with respect to such fiscal quarter.

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Each of 1847 Neese, 1847 Asien or 1847 Cabinet shall also reimburse the Manager for all of its costs and expenses which are specifically approved by its board of directors, including all out-of-pocket costs and expenses, which are actually incurred by the Manager or its affiliates on behalf of 1847 Neese, 1847 Asien or 1847 Cabinet in connection with performing services under the offsetting management services agreements.

1847 Neese expensed $250,000 in management fees for the years ended December 31, 2020 and 2019. Under terms of the term loan from Home State Bank (see Note 11), no fees may be paid to the Manager without permission of the bank, which the Manager does not expect to be granted within the forthcoming year. Accordingly, $700,808 due from 1847 Neese to the Manager is classified as a long-term accrued liability as of December 31, 2020.

1847 Asien expensed $178,022 in management fees for the period from May 29, 2020 to December 31, 2020.

1847 Cabinet expensed $75,000 in management fees for the period from October 1, 2020 to December 31, 2020.

Advances

From time to time, the Company has received advances from its chief executive officer to meet short-term working capital needs. As of December 31, 2020 and 2019, a total of $118,834 in advances from related parties are outstanding. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

As of December 31, 2020 and 2019, the Manager has funded the Company $71,358 and $62,499 in related party advances, respectively. These advances are unsecured, bear no interest, and do not have formal repayment terms or arrangements.

Grid Promissory Note

On January 3, 2018, the Company issued a grid promissory note to the Manager in the initial principal amount of $50,000. The note provided that the Company could request additional advances from the Manager up to an aggregate additional amount of $150,000. On December 7, 2020, parties amended and restated the note for a new principal amount of $56,900 and maturity date of December 7, 2021. Interest on the note accrues on the unpaid portion of the principal amount and the outstanding portion of all advances at a fixed rate of 8% per annum. If all or a portion of the principal amount or any advance under the note, or any interest payable thereon is not paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate of 12% per annum. In the event that the Company completes a financing that includes an uplisting of the Company’s common shares to a national exchange, then the Company must, contemporaneously with the closing of such financing transaction, repay the entire outstanding principal, outstanding advances, and accrued and unpaid interest on the note. The note is unsecured and contains customary events of default. As of December 31, 2020 and 2019, the Manager has advanced $56,900 and $119,400 of the note and the Company has accrued interest of $25,159 and $17,115, respectively.

Building Leases

On March 3, 2017, Neese entered into an agreement of lease with K&A Holdings, LLC, a limited liability company that is wholly owned by officers of Neese. See Note 15 for details regarding this lease.

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On September 1, 2020, Kyle's entered into an industrial lease agreement with the Kyle's Sellers, who are officers of Kyle's and principle shareholders of the Company. See Note 15 for details regarding this lease.

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Shareholders' Equity (Deficit)	12 Months Ended Dec. 31, 2020
Stockholders' Equity Note [Abstract]	
SHAREHOLDERS' EQUITY (DEFICIT)	**NOTE 17—SHAREHOLDERS' EQUITY (DEFICIT)**

Allocation Shares

As of December 31, 2020 and 2019, the Company had authorized and outstanding 1,000 allocation shares. These allocation shares do not entitle the holder thereof to vote on any matter relating to the Company other than in connection with amendments to the Company's operating agreement and in connection with certain other corporate transactions as specified in the operating agreement.

The Manager owns 100% of the allocation shares of the Company which represent the original equity interest in the Company. As a holder of the allocation shares, the Manager is entitled to receive a 20% profit allocation as a form of preferred distribution, pursuant to a profit allocation formula upon the occurrence of certain events. Generally, the distribution of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company's businesses (a "Sale Event") or, at the option of the Manager, at the five year anniversary date of the acquisition of one of the Company's businesses (a "Holding Event"). The Company records distributions of the profit allocation to the holders upon occurrence of a Sale Event or Holding Event as dividends declared on allocation interests to stockholders' equity when they are approved by the Company's board of directors.

The 1,000 allocation shares are issued and outstanding and held by the Manager, which is controlled by Mr. Roberts, the Company's chief executive officer and controlling shareholder.

Series A Senior Convertible Preferred Shares

On September 30, 2020, the Company executed a certificate of designation to designate 3,157,895 of its shares as series A senior convertible preferred shares, which was amended on November 20, 2020. Following is a description of the rights of the series A senior convertible preferred shares.

Dividends. Dividends at the rate per annum of 14.0% of the stated value ($2.00 per share, subject to adjustment) shall accrue on the series A senior convertible preferred shares. Dividends shall accrue from day to day, whether or not declared, and shall be cumulative. Dividends shall be payable quarterly in arrears on each dividend payment date in cash or common shares at the Company's discretion. Dividends payable in common shares shall be calculated based on a price equal to eighty percent (80%) of the volume weighted average price ("VWAP") for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date.

Liquidation. Subject to the rights of the Company's creditors and the holders of any senior securities or parity securities (in each case, as defined in the certificate of designation), upon any liquidation of the Company or its subsidiaries, before any payment or distribution of the assets of the Company (whether capital or surplus) shall be made to or set apart for the holders of securities that are junior to the series A senior convertible preferred shares as to the distribution of assets on any liquidation of the Company, each holder of outstanding series A senior convertible preferred shares shall be entitled to receive an amount of cash equal to 115% of the stated value plus an amount of cash equal to all accumulated accrued and unpaid dividends thereon (whether or not declared) to, but not including the date of final distribution to such holders. If, upon any liquidation of the Company, the assets of the Company, or proceeds thereof, distributable among the holders of the series A senior convertible preferred shares shall be insufficient to pay in full the preferential amount payable to the holders of the series A senior convertible preferred shares and liquidating payments on any other shares of any class or series of parity securities as to the

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distribution of assets on any liquidation of the Company, then such assets, or the proceeds thereof, shall be distributed among the holders of series A senior convertible preferred shares and any such other parity securities ratably in accordance with the respective amounts that would be payable on such series A senior convertible preferred shares and any such other parity securities if all amounts payable thereon were paid in full.

Voting Rights. The series A senior convertible preferred shares do not have any voting rights; provided that, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of holders of a majority of series A senior convertible preferred shares, which majority must include Leonite so long as Leonite holds any series A senior convertible preferred shares (the "Requisite Holders"), voting as a separate class, shall be necessary for approving, effecting or validating any amendment, alteration or repeal of any of the provisions of the certificate of designation. In addition, so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of the Requisite Holders shall be required prior to the Company's or Kyle's creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than intercompany indebtedness by Kyle's in favor of the Company, except any financing transaction the use of proceeds of which the Company will use to redeem the series A senior convertible preferred shares and the warrants.

Conversion Rights. Each series A senior convertible preferred share, plus all accrued and unpaid dividends thereon, shall be convertible, at the option of the holder thereof, at any time and from time to time into such number of fully paid and nonassessable common shares determined by dividing the stated value, plus the value of the accrued, but unpaid, dividends thereon, by the conversion price of $2.00 per share; provided that in no event shall the holder of any series A senior convertible preferred shares be entitled to convert any number of series A senior convertible preferred shares that upon conversion the sum of (i) the number of common shares beneficially owned by the holder and its affiliates and (ii) the number of common shares issuable upon the conversion of the series A senior convertible preferred shares with respect to which the determination of this proviso is being made, would result in beneficial ownership by the holder and its affiliates of more than 4.99% of the then outstanding common shares of the Company. This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days' prior notice to the Company.

Redemption. The Company may redeem in whole (but not in part) the series A senior convertible preferred shares by paying in cash therefore a sum equal to 115% of the stated value plus the amount of accrued and unpaid plus any other amounts due pursuant to the terms of the series A senior convertible preferred shares.

Adjustments. In addition to standard adjustments to the conversion price in the event of any share splits, share combinations, share reclassifications, dividends paid in common shares, sales of substantially all of the Company's assets, mergers, consolidations or similar transactions, the certificate of designation contains a provision regarding adjustments to the dividend rate, stated value and conversion price as follows:

- On the first day of the 12th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by five percent (5.0%) per annum and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.

- On the first day of the 24th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date.

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- On the first day of the 36th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding the third adjustment date.

Notwithstanding the foregoing, the conversion price for purposes of the adjustments above shall not be adjusted to a number that is below $0.0075.

Additional Equity Interest. On the third adjustment date set forth above, the Company is required to cause Kyle's to issue to the holders of series A senior convertible preferred shares, on a pro rata basis, a ten percent (10%) equity stake Kyle's (the "Additional Equity Interest"). The Company is required to cause Kyle's to grant to the holders of the series A senior convertible preferred shares upon the issuance to them of the Additional Equity Interest a right to receive an additional number of shares of common stock of Kyle's if Kyle's issues to any third party equity securities at a price below the acquisition price (as defined below). Such additional number of shares of common stock of Kyle's to be issued in such instance shall be equal to a number of shares of common stock of Kyle's which, when added to the number of shares of common stock of Kyle's constituting the Additional Equity Interest, would be equal to the total number of shares of common stock which would have been issued to a holder of series A senior convertible preferred shares if the price per share of common stock of Kyle's was equivalent to the price per equity security paid by such third party in Kyle's. For purposes of this provision, "acquisition price" means the price per share of Kyle's that was paid by the Company upon the acquisition of Kyle's.

On September 30, 2020, the Company sold an aggregate of 2,189,835 units, at a price of $1.90 per unit, for aggregate gross proceeds of $4,160,684. On October 26, 2020, the Company sold an additional 442,443 units for an aggregate purchase price of $840,640. Each unit consists of one (1) series A senior convertible preferred share and a three-year warrant to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances. In accordance with ASC 470, if debt or stock is issued with detachable warrants and/or stock, the guidance in ASC 470 requires that the proceeds be allocated to the instruments based on their relative fair values. The Company applied this guidance and recorded a deemed dividend of $2,874,478 as a result of a beneficial conversion feature. As the Company does not have any retained earnings this deemed dividend was netting against additional paid-in capital and the net accounting effect was none.

Common Shares

The Company is authorized to issue 500,000,000 common shares as of December 31, 2020 and 2019. As of December 31, 2020 and 2019, the Company had 4,444,013 and 3,165,625 common shares issued and outstanding, respectively. The common shares entitle the holder thereof to one vote per share on all matters coming before the shareholders of the Company for a vote.

On April 5, 2019, the Company issued 50,000 common shares to Leonite pursuant to the securities purchase agreement (see Note 13).

On May 4, 2020, the Company issued 100,000 common shares to Leonite upon conversion of $100,000 of the outstanding balance of the secured convertible promissory note resulting is a loss on conversion of debt of $175,000 (see Note 13).

On May 28, 2020, the Company issued 415,000 common shares, having a fair value of $1,037,500, to the Asien's Seller in connection with the Asien's Acquisition, which were subject to repurchase by 1847 Asien for a period of one year following the closing at a purchase price of $2.50 per share. These shares were repurchased by 1847 Asien on July 29, 2020. On August 28, 2020, 1847 Asien distributed these 415,000 shares to its stockholders, pro rata in accordance with their holdings. The Company, as the holder of 95% of the outstanding common stock of 1847 Asien, received 394,112

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shares in connection with this distribution, which were then returned to the Company's treasury and cancelled (see Note 11).

On June 4, 2020, the Company issued 100,000 common shares to a service provider for services provided to the Company. The fair market value of the services amounted to $245,000.

On July 21, 2020, the Company issued 50,000 common shares to Leonite upon conversion of $50,000 of the outstanding balance of the secured convertible promissory note resulting is a loss on conversion of debt of $50,000 (see Note 13).

On September 2, 2020, the Company issued 180,000 common shares to Leonite upon exercise of its warrants (see Note 13).

The Company issued a total of 50,000 warrants to service providers for services provided to the Company. The fair market value of the services amounted to $87,550. On September 2, 2020, the warrants were exercised at $1.25 per warrant for proceeds of $62,500.

Options

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2020	-	$ -	-
Granted	90,000	$ 2.50	5.0
Exercised	77,500	2.50	-
Forfeited	-	-	-
Cancelled	(12,500)	2.50	-
Expired	-	-	-
Outstanding at December 31, 2020	-	$ -	-
Exercisable at December 31, 2020	-	$ -	-

On May 11, 2020, the Company granted options to directors Paul A. Froning and Robert D. Barry to purchase 60,000 and 30,000 common shares, respectively, each at an exercise price of $2.50 per share. The options vested immediately on the date of grant and terminate on May 11, 2025. On September 29, 2020, Mr. Barry exercised the options cashless and on September 30, 2020, Mr. Froning exercised the options for proceeds of $150,000.

Warrants

	Number of Common Stock Warrants	Weighted average exercise price	Weighted average life (years)	Intrinsic value of Warrants
Outstanding, January 1, 2019	-	$ -	-	
Granted	200,000	1.25	5.00	
Exercised	-	-	-	
Canceled	-	-	-	
Outstanding, December 31, 2019	200,000	1.25	4.26	
Granted	2,882,278	2.39	3.20	
Exercised	(180,000)	1.25	-	
Canceled	(230,000)	1.25	-	

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Outstanding, December 31, 2020	2,632,278	$ 2.50	2.76	$ -
Exercisable, December 31, 2020	2,632,278	$ 2.50	2.76	$ -

On April 5, 2019, the Company issued a warrant to purchase 200,000 common shares to Leonite pursuant to the securities purchase agreement. On May 11, 2020, the Company issued another warrant to purchase 200,000 common shares to Leonite pursuant to an amendment to the securities purchase agreement. The warrants had a term of five years, an exercise price of $1.25 per share (subject to adjustment) and could be exercised on a cashless basis (see Note 13).

On September 2, 2020, the Company entered into amendment to the warrant issued to Leonite on April 5, 2019. Pursuant to the amendment, the parties amended the warrant to allow for the conversion of the warrant into 180,000 common shares in exchange for Leonite's surrender of the remaining 20,000 common shares underlying this warrant, as well as all 200,000 common shares underlying the second warrant issued to Leonite on May 11, 2020. On September 2, 2020, Leonite exercised the first warrant in accordance with the foregoing amendment and the Company issued 180,000 common shares to Leonite. As a result of this exercise, both warrants were cancelled (see Note 13).

Accordingly, a portion of the proceeds was allocated to the warrant based on its relative fair value using the Black Scholes option-pricing model. The assumptions used in the Black-Scholes model are as follows: (i) dividend yield of 0%; (ii) expected volatility of 128.52%, (iii) weighted average risk-free interest rate of 0.36%, (iv) expected life of five years, and (v) estimated fair value of the common shares of $2.50 per share in the amount of $448,211 and recorded as part of the Loss on Extinguishment of Debt included in discontinued operations in the year ended December 31, 2020.

On April 5, 2019, Goedeker, as borrower, and Holdco entered into a loan and security agreement with SBCC for a term loan in the principal amount of $1,500,000, pursuant to which Goedeker issued to SBCC a term note in the principal amount of up to $1,500,000 and a ten-year warrant to purchase shares of the most senior capital stock of Goedeker equal to 5.0% of the outstanding equity securities of Goedeker on a fully-diluted basis for an aggregate price equal to $100. At December 31, 2019 the warrants were valued at $122,344. On August 4, 2020, SBCC converted the warrant into 250,000 shares of Goedeker's common stock (see Note 5).

On September 30, 2020, the Company sold an aggregate of 2,189,835 units, at a price of $1.90 per unit, for aggregate gross proceeds of $4,160,654. On October 26, 2020, the Company sold an additional 442,443 units for an aggregate purchase price of $840,640. Each unit consists of one (1) series A senior convertible preferred share and one (1) three-year warrant. Accordingly, a portion of the proceeds were allocated to the warrant based on its relative fair value using the Geometric Brownian Motion Stock Path Monte Carlo Simulation. The assumptions used in the model were as follows: (i) dividend yield of 0%; (ii) expected volatility of 62.52-63.25%; (iii) weighted average risk-free interest rate of 0.16%; (iv) expected life of three years; (v) estimated fair value of the common shares of $2.60-$5.25 per share; and (vi) various probability assumptions related to redemption, calls and price resets. The ultimate amount allocated to the warrants was $2,209,566, which was recorded as additional paid in capital.

The warrants allow the holder to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment including upon any future equity offering with a lower exercise price), which may be exercised on a cashless basis under certain circumstances. Upon a reduction to the exercise price of such warrants, the number of warrant shares shall increase such that the aggregate exercise price will remain the same. The warrants have a term of three years and are callable by the Company after one year if the 30-day average stock price is in excess of $5 and the trading volume in the Company's shares exceed 100,000 shares a day over such period. The Company can also redeem the warrants during the term for $0.50 a warrant in the first year; $1.00 a warrant in the second year; and $1.50 a warrant in the third year.

Noncontrolling Interests

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The Company owns 55.0% of 1847 Neese, 95% of 1847 Asien and 92.5% of 1847 Cabinet. For financial interests in which the Company owns a controlling financial interest, the Company applies the provisions of ASC 810, which are applicable to reporting the equity and net income or loss attributable to noncontrolling interests. The results of 1847 Neese, 1847 Asien and 1847 Cabinet and are included in the consolidated statement of operations as of December 31, 2020. The net loss attributable to the 45% non-controlling interest of 1847 Neese amounted to $545,610 and $514,019 for the years ended December 31, 2020 and 2019, respectively. The net loss attributable to the 5% non-controlling interest of 1847 Asien amounted to $18,479 for the period from May 29, 2020 to December 31, 2020. The net income attributable to the 7.5% non-controlling interest of 1847 Cabinet amounted to $28,538 for the period from October 1, 2020 to December 31, 2020.

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Commitments and Contingencies	12 Months Ended Dec. 31, 2020
Commitments and Contingencies Disclosure [Abstract]	
COMMITMENTS AND CONTINGENCIES	**NOTE 18—COMMITMENTS AND CONTINGENCIES** An office space has been leased on a month-by-month basis. The officers and directors are involved in other business activities and most likely will become involved in other business activities in the future.

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Income Taxes	12 Months Ended Dec. 31, 2020

Income Tax Disclosure [Abstract]

INCOME TAXES

NOTE 19—INCOME TAXES

As of December 31, 2020 and 2019, the Company had net operating loss carry forwards of approximately $349,000 and $2,297,000, respectively, that may be available to reduce future years' taxable income in varying amounts through 2037. Future tax benefits which may arise as a result of these losses have not been recognized in these financial statements, as their realization is determined not likely to occur and accordingly, the Company has recorded a valuation allowance for the deferred tax asset relating to these tax loss carry-forwards.

The provision for Federal income tax consists of the following:

The cumulative tax effect at the expected rate of 26.3% and 26.3% of significant items comprising the Company's net deferred tax amount is as follows:

The components for the provision of income taxes include:

	December 31, 2020	December 31, 2019
Current Federal and State	$ (102,200)	$ 16,500
Deferred Federal and State	368,600	(1,218,900)
Total (benefit) provision for income taxes	$ 266,400	$ (1,202,400)

A reconciliation of the statutory US Federal income tax rate to the Company's effective income tax rate is as follows:

	December 31, 2020	December 31, 2019
Federal tax	21.0%	21.0%
State tax	4.5%	5.5%
Discontinued operations	(4.8)%	0.0%
Permanent items	(1.6)%	(0.2)%
Valuation Allowance	(21.7)%	0.0%
Other	0.8%	0.0%
Effective income tax rate	(1.9)%	26.3%

Deferred income taxes reflect the net tax effect of temporary differences between amounts recorded for financial reporting purposes and amounts used for tax purposes. The Company has a net cumulative current deferred tax asset of $324,000 and a net cumulative long-term deferred tax liability of ($324,000). The major components of deferred tax assets and liabilities are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets		
Receivables	$ 4,000	$ 8,000
Related party accruals	204,000	156,000
Inventory obsolescence	53,000	115,000
Sales return reserve	48,000	51,000
Business interest limitation	185,000	343,000
Lease liability	241,000	-

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Other	55,000	8,000
Loss carryforward	174,000	624,000
Valuation Allowance	(364,000)	-
Total deferred tax assets	$ 600,000	$ 1,305,000
Deferred tax liabilities		
Fixed assets	$ (359,000)	$ (652,000)
Intangibles	(241,000)	(18,000)
Total deferred tax liabilities	$ (600,000)	$ (670,000)
Total net deferred income tax assets (liabilities)	$ -	$ 635,000

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. At December 31, 2020 and 2019, the Company does not believe that a liability for uncertain tax provisions exists, and therefore, accrued interest and penalties were $0 and $0, respectively. The tax years ended December 31, 2015 through December 31, 2020 are considered to be open under statute and therefore may be subject to examination by the Internal Revenue Service and various state jurisdictions.

The Company is a partnership for federal income taxes; however, its subsidiaries are C corporations. The Company will file consolidated returns whenever possible. Following is a summary of prepaid and deferred tax assets and liabilities for December 31, 2020 and 2019.

	As of December 31,	
	2020	**2019**
Prepaid income taxes (accrued tax liability)	$ 39,000	$ (24,000)
Deferred tax asset (liability)	$ -	$ 635,000

	Years Ended December 31,	
	2020	**2019**
Income tax (benefit)/expense	$ 267,000	$(1,202,000)

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Supplemental Disclosures of Cash Flow Information	12 Months Ended Dec. 31, 2020
Supplemental Cash Flow Elements [Abstract]	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	**NOTE 20—SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** Supplemental disclosures of cash flow information for the years ended December 31, 2020 and 2019 were as follows:

	Years Ended December 31,	
	2020	2019
Interest paid	$ 415,451	$413,894
Income tax paid	$ -	$ -
Business combinations:		
Current assets	$ 2,255,479	$ -
Property and equipment	357,789	-
Intangibles	4,030,000	-
Goodwill	5,989,818	-
Assumed liabilities	(3,575,100)	-
Cash acquired in acquisitions	$ 1,631,285	$ -
Financing:		
Due to seller (cash paid to seller day after closing)	$ 4,622,792	$ -
Line of credit	$ 586,097	$ -
Debt discount on line of credit	(17,500)	-
Issuance of common shares on promissory note		-
Line of credit, net	$ 568,597	$ -
Convertible Promissory Note	$ 1,353,979	$ -
Common Shares	$ 1,115	-
Deemed Dividend related to issuance of Preferred stock	$ 3,051,478	-
1847 Goedeker Spin-Off Dividend	$ 283,257	$ -
Distribution – Allocation shares	$ 5,985,000	$ -
Distribution receivable - Allocation shares	$ 2,000,000	$ -
Additional Paid-in Capital – common shares and warrants issued	$ 4,711,385	$430,173
Operating lease, ROU assets and liabilities	$ 373,916	$ -

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Distribution	12 Months Ended Dec. 31, 2020
Disclosure Of Distribution [Abstract]	
DISTRIBUTION	**NOTE 21—DISTRIBUTION** On October 23, 2020, the Company completed the distribution of Goedeker's stock then held by it. The common shareholders of the Company received an aggregate of 2,660,007 shares of the common stock of Goedeker, which were distributed on a pro rata basis at a ratio of 0.710467618568632 shares of Goedeker's common stock for each common share of the Company held on the record date, and the Manager, as the sole holder of the allocation shares, received 664,993 shares of the common stock of Goedeker, which it then distributed to its members. As discussed in Note 15, the Manager owns 100% of the allocation shares of the Company which represent the original equity interest in the Company. As a holder of the allocation shares, the Manager is entitled to receive a 20% profit allocation as a form of preferred distribution, pursuant to profit allocation formula upon the occurrence of certain events. The distribution of the profit allocation is paid upon the occurrence of a Sale Event or a Holding Event. The Company records distributions of the profit allocation to the holders upon occurrence of a Sale Event or a Holding Event as dividends declared on allocation interests to stockholders' equity when they are approved by the Company's board of directors. Upon the sale of a subsidiary of the Company, the Manager will be paid a profit allocation based on the gain of the sale and net income (loss) since acquisition, subject to various hurdle thresholds. Upon a Holding Event, the Manager will be paid a profit allocation based on the subsidiary's net income since its acquisition, subject to various hurdle thresholds. The calculation of the profit allocation and the rights of the Manager, as the holder of the allocation shares, are governed by the operating agreement. The following is a summary of the profit allocation payments made during the year ended December 31, 2020. There were no allocation payments made to the allocation interest holders in 2019. During the fourth quarter of 2020, the Company distributed to its shareholders all of the common stock of Goedeker held by it, which resulted in the declaration and payment of a profit allocation interest to the Manager. Payment was in the form of a distribution allocation of 664,993 Goedeker shares with a fair value of $5,985,000 which was calculated by the Company in accordance with the profit allocation formula outlined in the operating agreement. In calculating the distribution, the board reached its preliminary determination based on the fact that no capital was contributed by the Company in connection with the acquisition of Goedeker, and as such all profit from the Sale Event constituted Total Profit Allocation, as outlined in the operating agreement, without regard to losses incurred by Goedeker from the date of acquisition through the date of the spin off. Post allocation, the Company determined that the calculation required a revision to the shares distributed to the Manager to 443,331 shares, with a fair value of approximately $3,990,000. As a result, $5,985,000 was recognized as a distribution to the allocation shares, and a $1.995 million distribution receivable was established within shareholder's equity.

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Subsequent Events	12 Months Ended Dec. 31, 2020
Subsequent Events [Abstract]	
SUBSEQUENT EVENTS	NOTE 22 —SUBSEQUENT EVENTS

NOTE 22 —SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to December 31, 2020 to the date these financial statements were issued, and has determined that, except as set forth below, it does not have any material subsequent events to disclose in these financial statements.

Wolo Closing and Related Transactions

Amendment to the Stock Purchase Agreement and Closing

On December 22, 2020, the Company and its wholly-owned subsidiary 1847 Wolo Inc. ("1847 Wolo") entered into a stock purchase agreement with Wolo Mfg. Corp., a New York corporation, and Wolo Industrial Horn & Signal, Inc., a New York corporation (together, "Wolo"), and the sellers named therein (together, the "Wolo Sellers"), pursuant to which 1847 Wolo agreed to acquire all of the issued and outstanding capital stock of Wolo (the "Wolo Acquisition").

On March 30, 2021, the Company, 1847 Wolo, Wolo and the Wolo Sellers entered into amendment No. 1 to the stock purchase agreement to amend certain terms of the stock purchase agreement. Following entry into such amendment, closing of the Wolo Acquisition was completed on the same day.

Pursuant to the terms of the stock purchase agreement, as amended, 1847 Wolo agreed to acquire all of the issued and outstanding capital stock of Wolo for an aggregate purchase price of $7,400,000, subject to adjustment as described below. The purchase price consists of (i) $6,550,000 in cash and (ii) a 6% secured promissory note in the aggregate principal amount of $850,000.

The purchase price is subject to a post-closing working capital adjustment provision. Under this provision, the Wolo Sellers delivered to 1847 Wolo at the closing an unaudited balance sheet of Wolo as of that date. On or before the 75th day following the closing, 1847 Wolo shall deliver to the Wolo Sellers an audited balance sheet as of the closing date. If the net working capital reflected on such final balance sheet exceeds the net working capital reflected on the preliminary balance sheet delivered at closing, 1847 Wolo shall, within seven days, pay to the Wolo Sellers an amount of cash that is equal to such excess. If the net working capital reflected on the preliminary balance sheet exceeds the net working capital reflected on the final balance, the Wolo Sellers shall, within seven days, pay to 1847 Wolo an amount in cash equal to such excess.

Purchase to the stock purchase agreement, 1847 Wolo agreed to indemnify and hold harmless the Wolo Sellers for any amounts in respect of taxes payable by the Wolo Sellers in connection with the Wolo Acquisition that are in excess of the amounts of taxes that would have been payable by the Wolo Sellers in connection with the Wolo Acquisition if the closing had occurred on or prior to December 31, 2020.

The stock purchase agreement contains customary representations, warranties and covenants, including a covenant that the Wolo Sellers will not compete with the business of Wolo for a period of three (3) years following closing.

The stock purchase agreement also contains mutual indemnification for breaches of representations or warranties and failure to perform covenants or obligations contained in the stock

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purchase agreement. In the case of the indemnification provided by the Wolo Sellers with respect to breaches of certain non-fundamental representations and warranties, the Wolo Sellers will only become liable for indemnified losses if the amount exceeds an aggregate of $10,000, whereupon the Wolo Sellers will be liable for all losses that exceed the $100,000 threshold, provided that the liability of the Wolo Sellers for breaches of certain non-fundamental representations and warranties shall not exceed $1,825,000.

6% Secured Promissory Note

As noted above, a portion of the purchase price for Wolo was paid by the issuance of a 6% secured promissory note in the principal amount of $850,000 by 1847 Wolo to the Wolo Sellers. Interest on the outstanding principal amount will be payable quarterly at the rate of six percent (6%) per annum. The note matures on the 39-month anniversary following the closing of the acquisition, at which time the outstanding principal amount of the note, along with all accrued, but unpaid interest, shall be paid in one lump sum. 1847 Wolo has the right to prepay all or any portion of the note at any time prior to the maturity date without premium or penalty of any kind. The note contains customary events of default and is secured by all of the assets of Wolo; provided that the rights of the Wolo Sellers under the note are subordinate to the rights of Sterling National Bank under the credit agreement described below.

Management Services Agreement

On March 30, 2021, 1847 Wolo entered into an offsetting management services agreement with the Manager on the same terms as the other offsetting management services agreements described in Note 16; provided that, the quarterly management fee is equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement).

The rights of the Manager to receive payments under this offsetting management services agreement are subordinate to the rights of Sterling (as defined below) under separate a subordination agreement that the Manager entered into with Sterling on March 30, 2021.

Credit Agreement and Notes

On March 30, 2021, 1847 Wolo and Wolo entered into a credit Agreement with Sterling National Bank (“Sterling”) for (i) revolving loans in an aggregate principal amount that will not exceed the lesser of the borrowing base (as defined below) or $1,000,000 and (ii) a term loan in the principal amount of $3,550,000. The revolving loan is evidenced by a revolving credit note and the term loan is evidenced by a $3,550,000 term note. The “borrowing base” means an amount equal to the sum of the following: (A) 80% of eligible accounts (as defined in the credit agreement) PLUS (B) the lesser of: (1) 50% percent of eligible inventory (as defined in the credit agreement) or (2) $400,000.00, MINUS (C) such reserves as Sterling may establish from time to time in its sole discretion. Sterling has the right from time to time, in its sole discretion, to amend, substitute or modify the percentages set forth in the definition of borrowing base and the definition(s) of eligible accounts and eligible inventory.

The revolving note matures on March 29, 2022 and bears interest at a per annum rate equal to the greater of (i) the prime rate (as defined in the credit agreement) or (ii) 3.75%. The term note matures on April 1, 2024 and bears interest at a per annum rate equal to the greater of (x) the prime rate plus 3.00% or (y) 5.00%; provided that, upon an event of default, all loans, all past due interest and all fees shall bear interest at a per annum rate equal to the foregoing rate plus 5.00%. Interest accrued on the revolving note and the term note shall be payable on the first day of each month commencing on the first such day of the first month following the making of such revolving loan or term loan, as applicable.

With respect to the term loan, 1847 Wolo and Wolo must repay to Sterling on the first day of each month, (i) beginning on May 1, 2021 and ending on March 1, 2022, eleven (11) equal monthly principal payments of $43,750 each, (ii) beginning on April 1, 2022 and ending on March 1,

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2024, twenty-four (24) equal monthly payments of $59,167 each and (iii) on April 1, 2024, a final principal payment in the amount of $1,648,742. In addition, beginning on June 1, 2022 and on each anniversary thereof thereafter until such time as the term loan is repaid in full, 1847 Wolo and Wolo must pay an additional principal payment equal to 50% of the excess cash flow (as defined in the credit agreement), if any. If Sterling has not received the full amount of any monthly payment on or before the date it is due (including as a result of funds not available to be automatically debited on the date on which any such payment is due), 1847 Wolo and Wolo must pay a late fee in an amount equal to six percent (6%) of such overdue payment. 1847 Wolo and Wolo may at any time and from time to time voluntarily prepay the revolving note or the term note in whole or in part.

The credit agreement contains customary representations, warranties, affirmative and negative financial and other covenants and events of default for loans of this type. Each of the revolving note and the term note is secured by a first priority security interest in all of the assets of 1847 Wolo and Wolo.

Unit Offering

On March 26, 2021, the Company entered into several securities purchase agreements with certain purchasers, pursuant to which the Company sold an aggregate of 1,818,182 units, at a price of $1.65 per unit, to the purchasers for an aggregate purchase price of $3,000,000. Each unit consists of (i) one (1) series A senior convertible preferred share of the Company with a stated value of $2.00 per share and (ii) a three-year warrant to purchase one (1) common share of the Company at an exercise price of $2.50 per share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances. The proceeds of offering were used to fund, in part, an acquisition of Wolo. As described in further detail below, we contributed to 1847 Wolo the $3,000,000 raised in this offering in exchange for 1,000 shares of 1847 Wolo's series A preferred stock, at a price of $3,000 per share, to fund, in part, the planned acquisition of Wolo by 1847 Wolo.

Pursuant to the securities purchase agreements, the Company is required file a registration statement with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, covering the resale of all shares issuable upon conversion of the series A senior convertible preferred shares and exercise of the warrants with thirty (days) after the closing and use its commercially reasonable efforts to have the registration statement declared effective by the SEC as soon as practicable, but in no event later than (i) ninety (90) days after the closing in the event that the SEC does not review the registration statement, or (ii) one hundred fifty (150) days after the closing in the event that the SEC reviews the registration statement (but in any event, no later than two (2) business days from the SEC indicating that it has no further comments on the registration statement).

The lead investors in the offering received participation rights that permit them, for a period of 12 months after the closing, to participate in an offering of securities by the Company or any of its subsidiaries in an amount up to the aggregate amount that the lead investor invested in the offering with customary exclusions.

In addition to the participation right, and registration rights described above, the securities purchase agreements provided several other covenants in favor of the purchasers and/or the lead investor, including information rights, observer rights, certain restrictive covenants, and other covenants customary for similar transactions. The securities purchase agreements also contain customary representations, warranties closing conditions and indemnities.

The warrants issued in this offering have the same terms as the warrants issued on September 30, 2020 and October 26, 2020 in connection with the prior unit offering (see Note 17). In connection with the unit offering, the Company amended and restated the certificate of designation for the series A senior convertible preferred shares (See Note 17). The amendments include the following:

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- The number of shares designated as series A senior convertible preferred shares was increased to 4,450,460.
- The dividend provision has been amended to provide that if the Company's common shares are not registered, and rulemaking referred to below is effective, any dividends payable in common shares shall be calculated based upon the fixed price of $1.57; provided that the Company may only elect to pay dividends in common shares based upon such fixed price if the VWAP for the common shares on the Company's principal trading market during the five (5) trading days immediately prior to the applicable dividend payment date is $1.57 or higher.
- The conversion price (as defined in the certificate of designation) was changed to $1.75 per share.
- The voting provision was amended to provide that so long as any series A senior convertible preferred shares are outstanding, the affirmative vote of the Requisite Holders shall be required prior to the Company's, Kyle's or Wolo's creation or issuance of (i) any parity securities; (ii) any senior securities; and (iii) any new indebtedness other than (A) intercompany indebtedness by Kyle's or Wolo in favor of the Company, (B) indebtedness incurred in favor of the sellers of Kyle's or Wolo in connection with the acquisition of Kyle's or Wolo, or (C) indebtedness (or the refinancing of such indebtedness) the proceeds of which are used to complete the acquisition of Kyle's or Wolo related expenses or working capital to operate the business of Kyle's or Wolo.
- The adjustments provision was revised to add an additional adjustment which provides that if any legislation or rules are adopted whereby the holding period of securities for purposes of Rule 144 of the Securities Act of 1933, as amended, for convertible securities that convert at market-adjusted rates is increased resulting in a longer holding period for convertible securities like the series A senior convertible preferred shares and the unavailability at the time of conversion of Rule 144, the pricing provisions that are based upon the lowest VWAP of the previous ten (10) trading days immediately preceding the relevant adjustment date shall be removed unless the shares issuable upon conversion of series A senior convertible preferred shares are then registered under an effective registration statement, in which case this provision shall not apply.
- The additional equity interest provision was revised to clarify that the holders of series A senior convertible preferred shares previously issued in connection with the Kyle's Acquisition shall receive an equity stake in Kyle's and the holders of series A senior convertible preferred shares issued in connection with the Wolo Acquisition shall receive an equity stake in Wolo.

In exchange for the consent of the holders of the Company's outstanding series A senior convertible preferred shares to the issuance of these units at a lower purchase price than such holders paid for their shares, the Company issued an aggregate of 398,838 common shares to such holders.

Subscription Agreement

On March 29, 2021, the Company entered into a subscription agreement with 1847 Wolo, pursuant to which 1847 Wolo issued to the Company 1,000 shares of its series A preferred stock, for gross proceeds to 1847 Wolo of $3,000,000. The series A preferred stock has no voting rights and is not convertible into the common stock or any other securities of 1847 Wolo. Dividends at the rate per annum of 16.0% of the stated value of $3,000 per share shall accrue on the series A preferred stock (subject to adjustment) and shall accrue from day to day, whether or not declared, and shall be cumulative. Accruing dividends are payable quarterly in arrears on each of the following dividend payment dates: January 15, April 15, July 15 and October 15 beginning on April 15, 2021. Upon any liquidation, dissolution or winding up of 1847 Wolo, before any payment shall be made to

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the holders of 1847 Wolo's common stock, the series A preferred stock then outstanding shall be entitled to be paid out of the funds and assets available for distribution to 1847 Wolo's stockholders an amount per share equal to the stated value of $3,000 per share, plus any accrued, but unpaid dividends.

Paycheck Protection Program – Phase II

On March 26, 2021, Neese received a second PPP Loan in the amount of $380,385 under Phase II of the Paycheck Protection Program which commenced on January 13, 2021 and allowed certain businesses that received an initial PPP Loan to seek a second draw PPP Loan.

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Accounting Policies, by Policy (Policies)	12 Months Ended Dec. 31, 2020
Accounting Policies [Abstract]	
Basis of Presentation	***Basis of Presentation*** The financial statements of the Company have been prepared without audit in accordance with generally accepted accounting principles in the United States of America ("GAAP") and are presented in US dollars. The results of Goedeker are included within discontinued operations for the years ended December 31, 2020 and 2019, respectively. The Company retrospectively updated the consolidated financial statements as of and for the years ended December 31, 2020 and 2019, respectively, to reflect this change.
Accounting Basis	***Accounting Basis*** The Company uses the accrual basis of accounting and GAAP. The Company has adopted a calendar year end.
Proposed Acquisition	***Proposed Acquisition*** On February 9, 2021, the Company's wholly-owned subsidiary 1847 Hydroponic Inc. ("1847 Hydroponic") entered into a securities purchase agreement with GSH One Enterprises, Inc., a California corporation (d/b/a Bayside Garden Supply), Hone Brothers Retail, LLC, an Oregon limited liability company (d/b/a Endless Summer Garden Supply), and Hone Brothers Retail Tulsa LLC, an Oklahoma limited liability company (d/b/a Endless Summer Garden Supply) (the "Garden Companies") and the sellers named therein, pursuant to which 1847 Hydroponic agreed to acquire all of the issued and outstanding capital stock or other equity securities of the Garden Companies for an aggregate purchase price of $100,000,000, subject to adjustment, consisting of (i) $90,000,000 in cash and (ii) a three-year 8% secured subordinated convertible promissory note in the aggregate principal amount of $10,000,000. The closing of the securities purchase agreement is subject to standard closing conditions and has not yet been completed.
Segment Reporting	***Segment Reporting*** The Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 280, *Segment Reporting*, requires that an enterprise report selected information about reportable segments in its financial reports issued to its stockholders. Beginning with the second quarter of 2019, the Company changed its operating and reportable segments from one segment to two segments - the Retail and Appliances Segment, which is operated by Asien's (and was previously operated by Goedeker), and the Land Management Segment, which is operated by Neese. Commencing with the fourth quarter of 2020, the Company added an additional segment - the Construction Segment, which is operated by Kyle's. The Retail and Appliances Segment is comprised of the business of Asien's, which is based in Santa Rosa, California, and provides a wide variety of appliance services including sales, delivery, installation, service and repair, extended warranties, and financing. The Land Management Services Segment is comprised of the business of Neese, which is based in Grand Junction, Iowa, and provides professional services for waste disposal and a variety of agricultural services, wholesaling of agricultural equipment and parts, local trucking services, various shop services, and sales of other products and services. The Construction Segment is comprised of the business of Kyle's, which is based in Boise, Idaho, and provides a wide variety of construction services including custom design and build of

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kitchen and bathroom cabinetry, delivery, installation, service and repair, extended warranties, and financing.

The Company provides general corporate services to its segments; however, these services are not considered when making operating decisions and assessing segment performance. These services are reported under "Corporate Services" below and these include costs associated with executive management, financing activities and public company compliance.

Cash and Cash Equivalents

Cash and Cash Equivalents

The Company considers all highly liquid investments with the original maturities of three months or less to be cash equivalents.

Use of Estimates

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Covid-19

Impact of COVID-19

The impact of COVID-19 on the Company's business has been considered in management's estimates and assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

Reclassifications

Reclassifications

Certain Statements of Operations reclassifications have been made in the presentation of the Company's prior financial statements and accompanying notes to conform to the presentation as of and for the year ended December 31, 2020. The Company reclassified certain operating expense accounts in the Consolidated Statement of Operations. The reclassification had no impact on financial position, net income, or shareholder's equity.

Revenue Recognition and Cost of Revenue

Revenue Recognition and Cost of Revenue

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments. The Company's adoption of this ASU resulted in no change to the Company's results of operations or balance sheet.

Retail and Appliances Segment

Asien's collects 100% of the payment for special-order models including tax and 50% of the payment for non-special orders from the customer at the time the order is placed. Asien's does not incur incremental costs obtaining purchase orders from customers, however, if Asien's did,

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because all Asien's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

Performance Obligations – The revenue that Asien's recognizes arises from orders it receives from customers. Asien's performance obligations under the customer orders correspond to each sale of merchandise that it makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the merchandise sale to be completed. Control of the delivery transfers to customers when the customer can direct the use of, and obtain substantially all the benefits from, Asien's products, which generally occurs when the customer assumes the risk of loss. The transfer of control generally occurs at the point of pickup, shipment, or installation. Once this occurs, Asien's has satisfied its performance obligation and Asien's recognizes revenue.

Transaction Price – Asien's agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon sales price. In Asien's contracts with customers, it allocates the entire transaction price to the sales price, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax that Asien's collects concurrently with revenue-producing activities are excluded from revenue.

Cost of revenue includes the cost of purchased merchandise plus freight and any applicable delivery charges from the vendor to Asien's. Substantially all Asien's sales are to individual retail consumers (homeowners), builders and designers. The large majority of customers are homeowners and their contractors, with the homeowner being key in the final decisions. Asien's has a diverse customer base with no one client accounting for more than 5% of total revenue.

Disaggregated revenue for the Retail and Appliances Segment by sales type for the period from May 29, 2020 (date of acquisition) to December 31, 2020 is as follows:

	Period May 29, 2020 to December 31, 2020
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenue	$ 7,625,222

Land Management Segment

Neese's payment terms are due on demand from acceptance of delivery. Neese does not incur incremental costs obtaining purchase orders from customers, however, if Neese did, because all of Neese's contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.

The revenue that Neese recognizes arises from orders it receives from customers. Neese's performance obligations under the customer orders correspond to each service delivery or sale of equipment that Neese makes to customers under the purchase orders; as a result, each purchase order generally contains only one performance obligation based on the service or equipment sale to be completed. Control of the delivery transfers to customers when the customer is able to direct the use of, and obtain substantially all of the benefits from, Neese's products, which generally occurs at the later of when the customer obtains title to the equipment or when the customer assumes risk of loss. The transfer of control generally occurs at a point of delivery. Once this occurs, Neese has satisfied its performance obligation and Neese recognizes revenue.

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Neese also sells equipment by posting it on auction sites specializing in farm equipment. Neese posts the equipment for sale on a "magazine" site for several weeks before the auction. When Neese decides to sell, it moves the equipment to the auction site. The auctions are one day. If Neese accepts a bid, the customer pays the bid price and arranges for pick-up of the equipment.

Transaction Price – Neese agrees with customers on the selling price of each transaction. This transaction price is generally based on the agreed upon service fee. In Neese's contracts with customers, it allocates the entire transaction price to the service fee to the customer, which is the basis for the determination of the relative standalone selling price allocated to each performance obligation. Any sales tax, value added tax, and other tax Neese collects concurrently with revenue-producing activities are excluded from revenue.

If Neese continued to apply legacy revenue recognition guidance for year ended December 31, 2020, revenues, gross margin, and net loss would not have changed.

Substantially all of Neese's sales are to businesses, including farmers or municipalities and very little to individuals.

Disaggregated Revenue – Neese disaggregates revenue from contracts with customers by contract type, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Neese's disaggregated revenue by sales type for the years ended December 31, 2020 and 2019 is as follows:

	Year Ended December 31,	
	2020	**2019**
Revenues		
Trucking	$ 923,398	$1,579,660
Waste hauling and pumping	1,588,010	1,901,314
Repairs	464,475	377,004
Other	403,772	343,436
Total services	3,379,655	4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenue	$6,702,599	$6,380,025

Performance Obligations – Performance obligations for the different types of services are discussed below:

- *Trucking* – Revenues for time and material contracts are recognized when the merchandise or commodity is delivered to the destination specified in the agreement with the customer.
- *Waste Hauling and pumping* – Revenues for waste hauling and pumping is recognized when the hauling, pumping, and spreading are complete.
- *Repairs* – Revenues for repairs are recognized upon completion of equipment serviced.
- *Sales of parts and equipment* – Revenues for the sale of parts and equipment are recognized upon the transfer and acceptance by the customer.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration. Unbilled receivables of $38,000 and $121,989

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are included in this balance at December 31, 2020 and 2019, respectively. The payment of consideration related to these unbilled receivables is subject only to the passage of time.

Neese reviews accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible. Estimates are used to determine the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value. The estimates are based on an analysis of past due receivables, historical bad debt trends, current economic conditions, and customer specific information. After Neese has exhausted all collection efforts, the outstanding receivable balance relating to services provided is written off against the allowance. Additions to the provision for bad debt are charged to expense.

Neese determined that an allowance for loss of $14,614 and $29,001 was required at December 31, 2020 and 2019, respectively.

Construction Segment

Kyle's generates revenues from providing cabinet design, construction and installation primary from cabinet-related products and supplies.

Kyle's provides cabinet design, construction and installation services to customers with both residential and commercial projects. A majority of Kyle's contracts are recurring work from a builder team. Kyle's will provide pricing and work with individual homeowners, designers and builders to determine pricing options and upgrades to the base proposed contact pricing.

Performance Obligations - For substantially all landscaping construction contracts, the Company recognizes revenue over time, as performance obligations are satisfied, on a percentage completion basis on a total project cost basis. Typical contacts will last approximately 4-6 weeks from start to the substantial completion of the project.

Significant Judgments and Estimates - For cabinet construction contracts, measuring the percent completion on an individual project requires estimates obtained by discussions with field personnel. Estimates are also used in determining the total estimated total costs of a project. These estimates and assumptions are the best information management has at the time percent complete is calculated. The Company employs the same estimation methodology on a quarterly basis.

Accounts Receivable, Net – Accounts receivable, net, are amounts due from customers where there is an unconditional right to consideration.

	Period October 1 to December 31, 2020
Construction sales	$ 1,120,224
Other sales	-
Total revenue	$ 1,120,224

Receivables

Receivables

Receivables consist of credit card transactions in the process of settlement. Vendor rebates receivable represent amounts due from manufactures from whom the Company purchases products. Rebates receivable are stated at the amount that management expects to collect from manufacturers, net of accounts payable amounts due the vendor. Rebates are calculated on product and model sales programs from specific vendors. The rebates are paid at intermittent periods either in cash or through issuance of vendor credit memos, which can be applied against vendor accounts payable. Based on the Company's assessment of the credit history with its manufacturers, it has concluded that there should be no allowance for uncollectible accounts. The Company historically

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collects substantially all of its outstanding rebates receivables. Uncollectible balances are expensed in the period it is determined to be uncollectible.

Allowance for Credit Losses

Allowance for Credit Losses

Provisions for credit losses are charged to income as losses are estimated to have occurred and in amounts sufficient to maintain an allowance for credit losses at an adequate level to provide for future losses on the Company's accounts receivable. The Company charges credit losses against the allowance and credits subsequent recoveries, if any, to the allowance. Historical loss experience and contractual delinquency of accounts receivables, and management's judgment are factors used in assessing the overall adequacy of the allowance and the resulting provision for credit losses. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions or portfolio performance. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance for credit losses consists of general and specific components. The general component of the allowance estimates credit losses for groups of accounts receivable on a collective basis and relates to probable incurred losses of unimpaired accounts receivables. The Company records a general allowance for credit losses that includes forecasted future credit losses.

Inventory

Inventory

For Asien's, inventory mainly consists of appliances that are acquired for resale and is valued at the average cost determined on a specific item basis. Inventory also consists of parts that are used in service and repairs and may or may not be charged to the customer depending on warranty and contractual relationship. For Neese, inventory consists of finished products acquired for resale and is valued at the lower-of-cost-or-market with cost determined on a specific item basis. Kyle's typically orders inventory on a job by job basis and those jobs are put into production within hours of being received. The inventory in production is accounted for in the contact assets and liabilities and follows the percentage completion methodology. Inventories consisting of materials and supplies are stated at lower of costs or market. The Company periodically evaluates the value of items in inventory and provides write-downs to inventory based on its estimate of market conditions. The Company estimated an obsolescence allowance of $181,370 and $26,546 at December 31, 2020 and 2019, respectively.

Property and Equipment

Property and Equipment

Property and equipment is stated at cost. Depreciation of furniture, vehicles and equipment is calculated using the straight-line method over the estimated useful lives as follows:

	Useful Life (Years)
Building and Improvements	4
Machinery and Equipment	3-7
Tractors	3-7
Trucks and Vehicles	3-6

Goodwill and Intangible Assets

Goodwill and Intangible Assets

In applying the acquisition method of accounting, amounts assigned to identifiable assets and liabilities acquired were based on estimated fair values as of the date of acquisition, with the remainder recorded as goodwill. Identifiable intangible assets are initially valued at fair value using generally accepted valuation methods appropriate for the type of intangible asset. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise. Intangible assets with indefinite lives are tested for impairment within one year of acquisitions or annually as of December 1, and whenever indicators of impairment exist. The fair value of intangible assets are compared with their carrying values, and an impairment loss would be recognized for the amount by which a carrying amount exceeds its fair value.

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Acquired identifiable intangible assets are amortized over the following periods:

Acquired intangible Asset	Amortization Basis	Expected Life (years)
Customer-Related	Straight-line basis	5-15
Marketing-Related	Straight-line basis	5

Long-Lived Assets

Long-Lived Assets

The Company reviews its property and equipment and any identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The test for impairment is required to be performed by management at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted operating cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Fair Value of Financial Instruments

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, certificates of deposit and amounts due to shareholders. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three-level hierarchy is as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-based inputs or inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market date.

The Company's held to maturity securities are comprised of certificates of deposit.

Derivative Instrument Liability

Derivative Instrument Liability

The Company accounts for derivative instruments in accordance with ASC 815, *Derivatives and Hedging*, which establishes accounting and reporting standards for derivative instruments and hedging activities, including certain derivative instruments embedded in other financial instruments or contracts, and requires recognition of all derivatives on the balance sheet at fair value, regardless of hedging relationship designation. Accounting for changes in fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of relationships designated are based on the exposures hedged.

Income Taxes

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently

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enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Stock-Based Compensation

Stock-Based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation-Stock Compensation*. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued and are recognized over the employees required service period, which is generally the vesting period.

Basic Income (Loss) Per Share

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. As the Company had a net loss for the year ended December 31, 2020, the following 2,632,278 potentially dilutive securities were excluded from diluted loss per share: 2,632,278 for outstanding warrants. As the Company had a net loss for the year ended December 31, 2019, the following 895,565 potentially dilutive securities were excluded from diluted loss per share: 200,000 for outstanding warrants and 695,565 related to the convertible note payable and accrued interest.

Leases

Leases

The Company adopted ASC Topic 842, *Leases*, on January 1, 2019.

The new leasing standard requires recognition of leases on the consolidated balance sheets as right-of-use (“ROU”) assets and lease liabilities. ROU assets represent the Company’s right to use underlying assets for the lease terms and lease liabilities represent the Company’s obligation to make lease payments arising from the leases. Operating lease ROU assets and operating lease liabilities are recognized based on the present value and future minimum lease payments over the lease term at commencement date. As the Company’s leases do not provide an implicit rate, the Company used its estimated incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. A number of the lease agreements contain options to renew and options to terminate the leases early. The lease term used to calculate ROU assets and lease liabilities only includes renewal and termination options that are deemed reasonably certain to be exercised.

The Company recognized lease liabilities, with corresponding ROU assets, based on the present value of unpaid lease payments for existing operating leases longer than twelve months. The ROU assets were adjusted per ASC 842 transition guidance for existing lease-related balances of accrued and prepaid rent, and unamortized lease incentives provided by lessors. Operating lease cost is recognized as a single lease cost on a straight-line basis over the lease term and is recorded in selling, general and administrative expenses. Variable lease payments for common area maintenance, property taxes and other operating expenses are recognized as expense in the period when the changes in facts and circumstances on which the variable lease payments are based occur. The Company has elected not to separate lease and non-lease components for all property leases for the purposes of calculating ROU assets and lease liabilities.

Going Concern Assessment

Going Concern Assessment

Management assesses going concern uncertainty in the Company’s consolidated financial statements to determine whether there is sufficient cash on hand and working capital, including available borrowings on loans, to operate for a period of at least one year from the date the consolidated financial statements are issued or available to be issued, which is referred to as the “look-forward period”, as defined in GAAP. As part of this assessment, based on conditions that

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are known and reasonably knowable to management, management will consider various scenarios, forecasts, projections, estimates and will make certain key assumptions, including the timing and nature of projected cash expenditures or programs, its ability to delay or curtail expenditures or programs and its ability to raise additional capital, if necessary, among other factors. Based on this assessment, as necessary or applicable, management makes certain assumptions around implementing curtailments or delays in the nature and timing of programs and expenditures to the extent it deems probable those implementations can be achieved and management has the proper authority to execute them within the look-forward period.

The Company has generated losses since its inception and has relied on cash on hand, sales of securities, external bank lines of credit, issuance of third party and related party debt and the sale of a note to support cashflow from operations. For the year ended December 31, 2020, the Company incurred operating losses of $3,032,612 (before deducting losses attributable to non-controlling interests and excluding the loss of discontinued operations), cash flows from operations of $789,306 (excluding the cashflow from discontinued operations) and negative working capital of $1,933,026 (excluding the negative working capital from discontinued operations). In addition to the estimates of funds available from operations, the Company has unpledged assets that it believes could provide for approximately $914,000 of additional borrowings.

Management has prepared estimates of operations for fiscal year 2021 and believes that sufficient funds will be generated from operations to fund its operations, and to service its debt obligations for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern.

The impact of COVID-19 on the Company's business has been considered in these assumptions; however, it is too early to know the full impact of COVID-19 or its timing on a return to more normal operations. Further, the recently enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") provides for economic assistance loans through the United States Small Business Administration (the "SBA"). On April 10, 2020 and April 28, 2020, Neese and Asien's received $383,600 and $357,500, respectively, in Paycheck Protection Program ("PPP") loans from the SBA under the CARES Act. The PPP provides that the PPP loans may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. Neese and Asien's intend to use the proceeds from the PPP loans for qualifying expenses and to apply for forgiveness of the PPP loans in accordance with the terms of the CARES Act.

The accompanying consolidated financial statements have been prepared on a going concern basis under which the Company is expected to be able to realize its assets and satisfy its liabilities in the normal course of business.

Management believes that based on relevant conditions and events that are known and reasonably knowable that its forecasts, for one year from the date of the filing of the consolidated financial statements in the Company's Annual Report on Form 10-K, indicate improved operations and the Company's ability to continue operations as a going concern. The Company has contingency plans to reduce or defer expenses and cash outlays should operations not improve in the look forward period.

Recent Accounting Pronouncements

Recent Accounting Pronouncements

Not Yet Adopted

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment.* To simplify the subsequent measurement of goodwill, the update requires only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value. A qualitative assessment may still be completed first for an entity to determine if a quantitative impairment test is necessary. The update is effective for fiscal year 2021 and is to be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests

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performed on testing dates after January 1, 2017. The Company will test goodwill for impairment within one year of the acquisition or annually as of December 1, and whenever indicators of impairment exist.

In June 2016, the FASB issued ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2019. This pronouncement was amended under ASU 2019-10 to allow an extension on the adoption date for entities that qualify as a small reporting company. The Company has elected this extension and the effective date for the Company to adopt this standard will be for fiscal years beginning after December 15, 2022. The Company has not completed its assessment of the standard, but does not expect the adoption to have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

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Summary of Significant Accounting Policies (Tables)	12 Months Ended Dec. 31, 2020
Summary of Significant Accounting Policies (Tables) [Line Items]	
Schedule of disaggregated revenue	(table below)

	Period May 29, 2020 to December 31, 2020
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenue	$ 7,625,222

Accounts Receivable, Noncurrent, Past Due [Table Text Block]

	Period October 1 to December 31, 2020
Construction sales	$ 1,120,224
Other sales	-
Total revenue	$ 1,120,224

Schedule of property and equipment useful lives

	Useful Life (Years)
Building and Improvements	4
Machinery and Equipment	3-7
Tractors	3-7
Trucks and Vehicles	3-6

Schedule of identifiable intangible assets

Acquired intangible Asset	Amortization Basis	Expected Life (years)
Customer-Related	Straight-line basis	5-15
Marketing-Related	Straight-line basis	5

Neese [Member]

Summary of Significant Accounting Policies (Tables) [Line Items]

Schedule of disaggregated revenue

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues		
Trucking	$ 923,398	$1,579,660
Waste hauling and pumping	1,588,010	1,901,314
Repairs	464,475	377,004
Other	403,772	343,436
Total services	3,379,655	4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenue	$6,702,599	$6,380,025

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Business Segments (Tables)

	12 Months Ended
	Dec. 31, 2020

Business Segments [Abstract]

Schedule of Business Segments

	Year Ended December 31, 2020				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 3,379,655	$ -	$ -	$ 3,379,655
Sales of parts and equipment	-	3,322,944		-	3,322,944
Furniture and appliances revenue	7,625,222				7,625,222
Construction	-	-	1,120,224	-	1,120,224
Total Revenue	7,625,222	6,702,599	1,120,224	-	15,448,045
Total cost of sales	5,866,414	2,874,792	665,022	-	9,406,228
Total operating expenses	1,986,775	5,000,313	681,040	896,095	8,564,223
Loss from operations	$ (227,967)	$ (1,172,506)	$ (225,838)	$ (896,095)	$ (2,522,406)

	Year Ended December 31, 2019				
	Retail & Appliances	Land Management Services	Construction	Corporate Services	Total
Revenue					
Services	$ -	$ 4,201,414	$ -	$ -	$ 4,201,414
Sales of parts and equipment	-	2,178,611	-	-	2,178,611
Furniture and appliances revenue	-	-	-	-	-
Total Revenue	-	6,380,025	-	-	6,380,025
Total cost of sales	-	1,830,067	-	-	1,830,067
Total operating expenses	-	5,707,272	-	161,441	5,868,713
Loss from operations	$ -	$ (1,157,314)	$ -	$ (161,441)	$(1,318,755)

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Cash Equivalents and Investments (Tables)	12 Months Ended Dec. 31, 2020
Cash and Cash Equivalents [Abstract]	
Schedule of cash and cash equivalents	

	December 31, 2020		December 31, 2019	
Cash and cash equivalents				
Operating accounts	$	1,393,369	$	174,290
Restricted accounts		403,811		-
Subtotal	$	1,797,180	$	174,290
Held to Maturity Investments				
Restricted accounts - certificates of deposit (4 – 24 month maturities, FDIC insured)	$	276,270	$	-
Subtotal	$	276,270	$	-
TOTAL	$	2,073,450	$	174,290

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Discontinued Operations (Tables)	12 Months Ended Dec. 31, 2020
Discontinued Operations and Disposal Groups [Abstract]	
Schedule of major classes of assets and liabilities of the discontinued operations	(table below)

	December 31, 2019
Current Assets – discontinued operations:	
Cash	$ 64,470
Accounts receivable, net	1,862,086
Vendor deposits	294,960
Inventories, net	1,380,090
Prepaid expenses and other current assets	892,796
Total current assets – discontinued operations	$ 4,494,402
Noncurrent Assets – discontinued operations:	
Property and equipment, net	185,606
Operating lease right of use assets	2,000,755
Goodwill	4,976,016
Intangible assets, net	1,878,844
Deferred tax asset	698,303
Other assets	45,000
Total noncurrent assets	$ 9,784,524
Current liabilities – discontinued operations:	
Accounts payable and accrued expenses	$ 2,465,220
Current portion of operating lease liability	422,520
Advances, related party	137,500
Lines of credit	1,250,930
Notes payable – current portion	2,068,175
Warrant liability	122,344
Convertible promissory note – current portion	584,943
Customer deposits	4,164,296
Total current liabilities – discontinued operations	$ 11,215,928
Long term liabilities – discontinued operations:	
Operating lease liability – long term, net of current portion	1,578,235
Notes payable – long term, net of current portion	2,231,469
Contingent note payable	49,248
Total long term liabilities – discontinued operations	$ 3,858,952

Schedule of consolidated statements of operations from discontinued operations

	Period from January 1, 2020 through October 23, 2020	Period from April 6, 2019 through December 31, 2019
REVENUES		
Furniture and appliances revenue	$ 42,715,266	$ 34,668,113
TOTAL REVENUE		
OPERATING EXPENSES		
Cost of sales	35,613,453	28,596,127
Personnel costs	4,715,687	2,909,752
Depreciation and amortization	276,914	271,036
General and administrative	7,022,720	4,608,434

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TOTAL OPERATING EXPENSES	47,628,774	7,789,221
NET LOSS FROM OPERATIONS	(4,919,059)	(1,717,238)
OTHER INCOME (EXPENSE)		
Financing costs	(757,646)	(520,160)
Loss on extinguishment of debt	(1,756,095)	-
Interest expense, net	(604,909)	(683,211)
Loss on acquisition receivable	(809,000)	-
Change in warrant liability	(2,127,656)	106,900
Interest income	9,674	-
Other income (expense)	-	15,010
TOTAL OTHER INCOME (EXPENSE)	(6,045,632)	(1,049,215)
NET LOSS BEFORE INCOME TAXES	(10,964,691)	(2,766,453)
INCOME TAX BENEFIT	(698,303)	(698,303)
NET LOSS BEFORE NON-CONTROLLING INTERESTS	(11,662,984)	(2,068,150)
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(4,491,222)	(620,445)
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS	$ (7,172,772)	$ (1,447,705)

Schedule of consolidated statements of cash flows relating to discontinued operations

	Period from January 1, 2020 through October 23, 2020	Period from April 6, 2019 through December 31, 2019
Cash flows from operating activities of discontinued operations:		
Net loss	$(11,662,994)	$ (2,068,152)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities of discontinued operations:		
Depreciation and amortization	276,913	271,036
Stock compensation	281,194	599,814
Amortization of financing costs	842,174	-
Loss on extinguishment of debt	1,955,787	-
Gain on write-down of contingent liability	-	(32,246)
Write-off of acquisition receivable	809,000	-
Change in fair value of warrant liability	2,127,656	(106,900)
Changes in operating assets and liabilities:		
Accounts receivable	(3,585,090)	(1,405,904)
Vendor deposits	(252,688)	(294,960)
Inventory	(2,055,293)	471,161
Prepaid expenses and other assets	(1,106,409)	167,066
Change in operating lease right-of-use assets	-	299,245
Deferred tax asset	698,303	(698,303)
Accounts payable and accrued expenses	381,443	(1,464,657)
Customer deposits	14,427,180	1,855,990
Operating lease liability	-	(299,245)
Net cash provided by (used in) operating activities from discontinued operations	3,137,176	(2,706,053)
Cash flows from investing activities in discontinued operations:		
Purchase of property and equipment	(51,059)	(2,200)
Net cash provided by investing activities in discontinued operations	(51,059)	(2,200)

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Cash flows from financing activities in discontinued operations:		
Proceeds from initial public offering	8,602,166	-
Proceeds from notes payable	642,600	1,500,000
Repayment of notes payable	(2,818,098)	(357,207)
Payments on convertible notes payable	-	650,000
Net borrowings (payments) from lines of credit	(1,339,430)	1,339,430
Cash paid for financing costs	(105,279)	(359,500)
Net cash used in financing activities	$ 4,981,959	$ 2,772,723

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Receivables (Tables)

	12 Months Ended Dec. 31, 2020	
Receivables [Abstract]		
Schedule of receivables		
	December 31, 2020	**December 31, 2019**
Credit card payments in process of settlement	$ 158,924	$ -
Trade receivables from customers	715,410	620,370
Total receivables	874,334	620,370
Allowance for doubtful accounts	(14,614)	(29,001)
Accounts receivable, net	$ 859,720	$ 591,369

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Inventories (Tables)

	12 Months Ended Dec. 31, 2020

Inventory Disclosure [Abstract]

Schedule of inventory

	December 31, 2020	December 31, 2019
Machinery and Equipment	$ 331,935	$ 119,444
Parts	147,999	142,443
Appliances	2,029,270	-
Subtotal	2,509,204	261,887
Allowance for inventory obsolescence	(181,371)	(26,545)
Inventories, net	$ 2,327,833	$ 235,342

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Property and Equipment (Tables)	12 Months Ended Dec. 31, 2020
Property, Plant and Equipment [Abstract]	
Schedule of property and equipment	

Classification	December 31, 2020	December 31, 2019
Buildings and improvements	$ 47,939	$ 5,338
Equipment and machinery	3,127,158	3,019,638
Tractors	2,578,296	2,694,888
Trucks and other vehicles	1,363,156	1,138,304
Total	7,116,549	6,858,168
Less: Accumulated depreciation	(4,792,202)	(3,676,347)
Property and equipment, net	$ 2,324,347	$ 3,181,821

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Intangible Assets (Tables)	12 Months Ended Dec. 31, 2020

Goodwill and Intangible Assets Disclosure [Abstract]

Schedule of intangible assets

	December 31, 2020	December 31, 2019
Customer Relationships		
Identifiable intangible assets, gross	$ 3,223,000	$ 34,000
Accumulated amortization	(89,486)	(19,267)
Customer relationship identifiable intangible assets, net	3,133,514	14,733
Marketing Related		
Identifiable intangible assets, gross	841,000	-
Accumulated amortization	(81,114)	-
Marketing related identifiable intangible assets, net	759,886	-
Total Identifiable intangible assets, net	$ 3,893,400	$ 14,733

Schedule of annual amortization expense

2021	$ 397,988
2022	392,321
2023	391,188
2024	391,173
2025	258,169
Thereafter	2,062,561
Total	$3,893,400

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Acquisitions (Tables)	12 Months Ended Dec. 31, 2020
Acquisitions (Tables) [Line Items]	
Schedule of preliminary analysis for the Goedeker asset purchase	

Purchase consideration at final fair value:	
Note payable, net of $462,102 debt discount and $215,500 of capitalized financing costs	$ 3,422,398
Contingent note payable	81,494
Non-controlling interest	979,523
Amount of consideration	$ 4,483,415
Assets acquired and liabilities assumed at fair value	
Accounts receivable	$ 334,446
Inventories	1,851,251
Working capital adjustment receivable and other assets	1,104,863
Property and equipment	216,286
Customer related intangibles	749,000
Marketing related intangibles	1,368,000
Accounts payable and accrued expenses	(3,929,876)
Customer deposits	(2,308,307)
Net tangible assets acquired (liabilities assumed)	$ (614,337)
Total net assets acquired (liabilities assumed)	$ (614,337)
Consideration paid	4,483,415
Goodwill	$ 5,097,752

Schedule of income statement

	Year Ended December 31,	
	2020	2019
Revenues, net	$24,376,944	$23,849,214
Net income (loss)	$ (1,402,208)	$ (230,704)
Basic earnings (loss) per share	$ (0.31)	$ (0.05)
Diluted earnings (loss) per share	$ (0.31)	$ (0.05)
Basic Number of Shares (a)	4,561,840	4,230,625
Diluted Number of Shares (a)	4,561,840	4,230,625

Asiens [Member]

Acquisitions (Tables) [Line Items]

Schedule of preliminary analysis for the Kyle's Acquisition

Purchase Consideration at fair value:	
Common shares	$ 1,037,500
Notes payable	855,000
Due to seller	233,000
Amount of consideration	$ 2,125,500
Assets acquired and liabilities assumed at fair value	
Cash	$ 1,501,285
Accounts receivable	235,746
Inventories	1,457,489
Other current assets	41,427
Deferred tax asset	11,653
Property and equipment	157,052
Customer related intangibles	462,000
Marketing related intangibles	547,000
Accounts payable and accrued expenses	(280,752)
Customer deposits	(2,405,703)

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Notes payable	(509,272)
Other liabilities	(23,347)
Net assets acquired	$ 1,182,925
Total net assets acquired	$ 1,171,272
Consideration paid	2,125,500
Goodwill	$ 942,575

Kyle's Acquisition [Member]

Acquisitions (Tables) [Line Items]

Schedule of preliminary analysis for the Kyle's Acquisition

Purchase Consideration at fair value:	
Common shares	$3,675,000
Notes payable	498,979
Due to seller	4,389,792
Amount of consideration	$8,563,771
Assets acquired and liabilities assumed at fair value	
Cash	$ 130,000
Accounts receivable	385,095
Costs in excess of billings	122,016
Other current assets	13,707
Property and equipment	200,737
Customer related intangibles	2,727,000
Marketing related intangibles	294,000
Accounts payable and accrued expenses	(263,597)
Billings in excess of costs	(43,428)
Other liabilities	(49,000)
Net tangible assets acquired	$3,516,530
Total net assets acquired	$3,516,530
Consideration paid	8,563,771
Goodwill	$5,047,243

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Operating Leases (Tables)

12 Months Ended Dec. 31, 2020

Operating Leases (Tables) [Line Items]

Schedule of supplemental balance sheet information

	December 31, 2020	December 31, 2019
Operating lease right-of-use lease asset	$ 624,157	$ 624,157
Accumulated amortization	(122,330)	(59,077)
Net balance	$ 501,827	$ 565,080
Lease liability, current portion	$ 67,725	$ 63,253
Lease liability, long term	434,102	501,827
Total operating lease liabilities	$ 501,827	$ 565,080
Weighted Average Remaining Lease Term - operating leases	74 months	86 months
Weighted Average Discount Rate - operating leases	6.85%	6.85%

Supplemental balance sheet information related to leases

	December 31, 2020
Operating lease right-of-use lease asset	$ 373,916
Accumulated amortization	(15,931)
Net balance	$ 357,985
Lease liability, current portion	66,803
Lease liability, long term	291,182
Total operating lease liabilities	$ 357,985
Weighted Average Remaining Lease Term - operating leases	44 months
Weighted Average Discount Rate - operating leases	5.50%

Neese [Member]

Operating Leases (Tables) [Line Items]

Schedule of future minimum lease payments

	For the Years Ended
2021	$ 100,000
2022	100,000
2023	100,000
2024	100,000
2025	100,000
Thereafter	116,667
Total lease payments	616,667
Less imputed interest	(114,840)
Maturities of lease liabilities	$ 501,827

Goedeker [Member]

Operating Leases (Tables) [Line Items]

Schedule of future minimum lease payments

	For the Years Ended
2021	$ 84,840

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2022	86,520
2023	87,385
2023	89,116
2025	59,410
Total lease payments	407,271
Less imputed interest	(49,286)
Maturities of lease liabilities	$357,985

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Shareholders' Equity (Deficit) (Tables)	12 Months Ended Dec. 31, 2020
Stockholders' Equity Note [Abstract]	
Schedule of option activity	

	Number of Options		Weighted Average Exercise Price	Weighted Average Contractual Term in Years
Outstanding at January 1, 2020	-	$	-	-
Granted	90,000	$	2.50	5.0
Exercised	77,500		2.50	-
Forfeited	-		-	-
Cancelled	(12,500)		2.50	-
Expired	-		-	-
Outstanding at December 31, 2020	-	$	-	-
Exercisable at December 31, 2020	-	$	-	-

Schedule of warrant activity

	Number of Common Stock Warrants		Weighted average exercise price	Weighted average life (years)		Intrinsic value of Warrants
Outstanding, January 1, 2019	-	$	-	-		
Granted	200,000		1.25	5.00		
Exercised	-		-	-		
Canceled	-		-	-		
Outstanding, December 31, 2019	200,000		1.25	4.26		
Granted	2,882,278		2.39	3.20		
Exercised	(180,000)		1.25	-		
Canceled	(230,000)		1.25	-		
Outstanding, December 31, 2020	2,632,278	$	2.50	2.76	$	-
Exercisable, December 31, 2020	2,632,278	$	2.50	2.76	$	-

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Income Taxes (Tables)

12 Months Ended Dec. 31, 2020

Income Tax Disclosure [Abstract]

Schedule of components for the provision of income taxes

	December 31, 2020	December 31, 2019
Current Federal and State	$ (102,200)	$ 16,500
Deferred Federal and State	368,600	(1,218,900)
Total (benefit) provision for income taxes	$ 266,400	$ (1,202,400)

Schedule of reconciliation of the statutory US Federal income tax rate to the Company's effective income tax rate

	December 31, 2020	December 31, 2019
Federal tax	21.0%	21.0%
State tax	4.5%	5.5%
Discontinued operations	(4.8)%	0.0%
Permanent items	(1.6)%	(0.2)%
Valuation Allowance	(21.7)%	0.0%
Other	0.8%	0.0%
Effective income tax rate	(1.9)%	26.3%

Schedule of major components of deferred tax assets and liabilities

	December 31, 2020	December 31, 2019
Deferred tax assets		
Receivables	$ 4,000	$ 8,000
Related party accruals	204,000	156,000
Inventory obsolescence	53,000	115,000
Sales return reserve	48,000	51,000
Business interest limitation	185,000	343,000
Lease liability	241,000	-
Other	55,000	8,000
Loss carryforward	174,000	624,000
Valuation Allowance	(364,000)	-
Total deferred tax assets	$ 600,000	$ 1,305,000
Deferred tax liabilities		
Fixed assets	$ (359,000)	$ (652,000)
Intangibles	(241,000)	(18,000)
Total deferred tax liabilities	$ (600,000)	$ (670,000)

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Total net deferred income tax assets (liabilities)	$ -	$ 635,000

[Schedule of prepaid and deferred tax assets and liabilities]

	As of December 31,	
	2020	2019
Prepaid income taxes (accrued tax liability)	$39,000	$ (24,000)
Deferred tax asset (liability)	$ -	$635,000

	Years Ended December 31,	
	2020	2019
Income tax (benefit)/ expense	$267,000	$(1,202,000)

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Supplemental Disclosures of Cash Flow Information (Tables)	12 Months Ended
	Dec. 31, 2020
Supplemental Cash Flow Elements [Abstract]	
Schedule of supplemental disclosures of cash flow information	

	Years Ended December 31,	
	2020	2019
Interest paid	$ 415,451	$413,894
Income tax paid	$ -	$ -
Business combinations:		
Current assets	$ 2,255,479	$ -
Property and equipment	357,789	-
Intangibles	4,030,000	-
Goodwill	5,989,818	-
Assumed liabilities	(3,575,100)	-
Cash acquired in acquisitions	$ 1,631,285	$ -
Financing:		
Due to seller (cash paid to seller day after closing)	$ 4,622,792	$ -
Line of credit	$ 586,097	$ -
Debt discount on line of credit	(17,500)	-
Issuance of common shares on promissory note		-
Line of credit, net	$ 568,597	$ -
Convertible Promissory Note	$ 1,353,979	$ -
Common Shares	$ 1,115	-
Deemed Dividend related to issuance of Preferred stock	$ 3,051,478	-
1847 Goedeker Spin-Off Dividend	$ 283,257	$ -
Distribution – Allocation shares	$ 5,985,000	$ -
Distribution receivable - Allocation shares	$ 2,000,000	$ -
Additional Paid-in Capital – common shares and warrants issued	$ 4,711,385	$430,173
Operating lease, ROU assets and liabilities	$ 373,916	$ -

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Organization and Nature of Business (Details)		1 Months Ended				12 Months Ended
	Aug. 04, 2020	Mar. 03, 2017	Aug. 27, 2020	Mar. 27, 2020	Jan. 18, 2019	Dec. 31, 2020
Organization and Nature of Business (Details) [Line Items]						
State of incorporation						Delaware
Date of incorporation						Jan. 22, 2013
Neese [Member]						
Organization and Nature of Business (Details) [Line Items]						
Acquired interest, description		1847 Neese owns 55% of 1847 Neese, with the remaining 45% held by the sellers.				
Asien Inc [Member]						
Organization and Nature of Business (Details) [Line Items]						
Acquired interest, description				the Company owns 95% of 1847 Asien, with the remaining 5% held by a third party, and 1847 Asien owns 100% of Asien's.		
Cabinet [Member]						
Organization and Nature of Business (Details) [Line Items]						
Acquired interest, description			the Company owns 92.5% of			

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		1847 Cabinet, with the remaining 7.5% held by a third party, and 1847 Cabinet owns 100% of Kyle’s.	
Goedeker Television [Member]			
Organization and Nature of Business (Details) [Line Items]			
Acquired interest, description			the Company owned 70% of Holdco, with the remaining 30% held by third parties, and Holdco owned 100% of Goedeker.
Goedeker IPO [Member]			
Organization and Nature of Business (Details) [Line Items]			
Acquired interest, description	Goedeker’s initial public offering on August 4, 2020 (the “Goedeker IPO”), the Company owned approximately 54.41% of Goedeker.		

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Summary of Significant Accounting Policies (Details)	Feb. 09, 2021 USD ($)	12 Months Ended			
		Dec. 31, 2020 USD ($) shares	Dec. 31, 2019 USD ($) shares	Apr. 28, 2020 USD ($)	Apr. 10, 2020 USD ($)
Summary of Significant Accounting Policies (Details) [Line Items]					
Number of reportable segments		1			
Number of operating segments		2			
Retail and appliances segment, description		Asien’s collects 100% of the payment for special-order models including tax and 50% of the payment for non-special orders from the customer at the time the order is placed. Asien’s does not incur incremental costs obtaining purchase orders from customers, however, if Asien’s did, because all Asien’s contracts are less than a year in duration, any contract costs incurred would be expensed rather than capitalized.			
Percentage relates to total revenue		5.00%			
Unbilled receivables		$ 38,000	$ 121,989		
Allowance for loss		14,614	29,001		
Estimated obsolescence allowance		$ 181,370	$ 26,546		
Potentially dilutive securities (in Shares) | shares		2,632,278	895,565		
Outstanding warrants (in Shares) | shares		2,632,278	200,000		
Operating losses incurred		$ (3,032,612)	$ (1,313,271)		
Incurred operating losses		789,306			
Net cash used in operating activities		1,933,026			
Additional borrowings		$ 914,000			
Subsequent Event [Member]					
Summary of Significant Accounting Policies (Details) [Line Items]					
	$ 100,000,000				

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Cash transferred	$ 90,000,000			
Interest rate	8.00%			
Aggregate principal	$ 10,000,000			
Convertible Notes Payable [Member]				
Summary of Significant Accounting Policies (Details) [Line Items]				
Potentially dilutive securities (in Shares) | shares		695,565		
Neese [Member]				
Summary of Significant Accounting Policies (Details) [Line Items]				
Payroll protection program				$ 383,600
Asien’s [Member]				
Summary of Significant Accounting Policies (Details) [Line Items]				
Payroll protection program			$ 357,500	

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Summary of Significant Accounting Policies (Details) - Schedule of disaggregated revenue	7 Months Ended
	Dec. 31, 2020 USD ($)
Schedule of disaggregated revenue [Abstract]	
Appliance sales	$ 7,563,547
Other sales	61,675
Total revenue	$ 7,625,222

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Summary of Significant Accounting Policies (Details) - Schedule of disaggregated revenue - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Revenues		
Total services	$ 3,379,655	$ 4,201,414
Sales of parts and equipment	3,322,944	2,178,611
Total revenue	6,702,599	6,380,025
Trucking [Member]		
Revenues		
Total services	923,398	1,579,660
Waste hauling and pumping [Member]		
Revenues		
Total services	1,588,010	1,901,314
Repairs [Member]		
Revenues		
Total services	464,475	377,004
Other [Member]		
Revenues		
Total services	$ 403,772	$ 343,436

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Summary of Significant Accounting Policies (Details) - Schedule of accounts receivable - USD ($)	3 Months Ended	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
Accounts Receivable, Noncurrent, Past Due [Line Items]			
Total revenue	$ 1,120,224	$ 15,448,045	$ 6,380,025
Construction sales [Member]			
Accounts Receivable, Noncurrent, Past Due [Line Items]			
Construction sales	1,120,224	$ 1,120,224	
Other sales [Member]			
Accounts Receivable, Noncurrent, Past Due [Line Items]			
Other sales			

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Summary of Significant Accounting Policies (Details) - Schedule of property and equipment useful lives	12 Months Ended Dec. 31, 2020
Building and Improvements [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	4 years
Machinery and Equipment [Member] | Minimum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	3 years
Machinery and Equipment [Member] | Maximum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	7 years
Tractors [Member] | Minimum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	3 years
Tractors [Member] | Maximum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	7 years
Trucks and Vehicles [Member] | Minimum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	3 years
Trucks and Vehicles [Member] | Maximum [Member]	
Public Utility, Property, Plant and Equipment [Line Items]	
Estimated useful lives of property and equipment	6 years

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Summary of Significant Accounting Policies (Details) - Schedule of identifiable intangible assets	9 Months Ended
	Sep. 30, 2020
Customer-Related [Member]	
Indefinite-lived Intangible Assets [Line Items]	
Amortization Basis	Straight-line basis
Customer-Related [Member] | Minimum [Member]	
Indefinite-lived Intangible Assets [Line Items]	
Expected Life (years)	5 years
Customer-Related [Member] | Maximum [Member]	
Indefinite-lived Intangible Assets [Line Items]	
Expected Life (years)	15 years
Marketing-Related [Member]	
Indefinite-lived Intangible Assets [Line Items]	
Amortization Basis	Straight-line basis
Expected Life (years)	5 years

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Business Segments (Details) - Schedule of Business Segments - USD ($)	3 Months Ended	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
Revenue			
Services		$ 3,379,655	$ 4,201,414
Sales of parts and equipment		3,322,944	2,178,611
Furniture and appliances revenue		7,625,222	
Construction		1,120,224	
Total Revenue	$ 1,120,224	15,448,045	6,380,025
Total cost of sales		9,406,228	1,830,067
Total operating expenses		8,564,223	5,868,713
Loss from operations		(2,522,406)	(1,318,755)
Retail & Appliances [Member]			
Revenue			
Services			
Sales of parts and equipment			
Furniture and appliances revenue		7,625,222	
Construction			
Total Revenue		7,625,222	
Total cost of sales		5,866,414	
Total operating expenses		1,986,775	
Loss from operations		(227,967)	
Land Management Services [Member]			
Revenue			
Services		3,379,655	4,201,414
Sales of parts and equipment		3,322,944	2,178,611
Furniture and appliances revenue			
Construction			
Total Revenue		6,702,599	6,380,025
Total cost of sales		2,874,792	1,830,067
Total operating expenses		5,000,313	5,707,272
Loss from operations		(1,172,506)	(1,157,314)
Corporate Services [Member]			
Revenue			
Services			
Sales of parts and equipment			
Furniture and appliances revenue			
Construction			
Total Revenue			
Total cost of sales			
Total operating expenses		896,095	161,441
Loss from operations		(896,095)	(161,441)
Construction [Member]			

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Revenue	
Services	
Sales of parts and equipment	
Furniture and appliances revenue	
Construction	1,120,224
Total Revenue	1,120,224
Total cost of sales	665,022
Total operating expenses	681,040
Loss from operations	$ (225,838)

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Cash Equivalents and Investments (Details) - Schedule of cash and cash equivalents - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents		
Operating accounts	$ 1,393,369	$ 174,290
Restricted accounts	403,811	
Subtotal	1,797,180	174,290
Held to Maturity Investments		
Restricted accounts - certificates of deposit (4 – 24 month maturities, FDIC insured)	276,270	
Subtotal	276,270	
TOTAL	$ 2,073,450	$ 174,290

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Discontinued Operations (Details) - USD ($)	1 Months Ended						3 Months Ended	9 Months Ended	12 Months Ended		
	Aug. 25, 2020	Aug. 04, 2020	Apr. 08, 2020	Apr. 04, 2020	Jun. 24, 2019	Apr. 05, 2019	Oct. 23, 2020	Sep. 30, 2020	Dec. 31, 2020	Dec. 31, 2019	Jun. 30, 2020
Discontinued Operations and Disposal Groups [Abstract]											
Loan and security agreement, description						(i) the borrowing base (as defined in the loan and security agreement) or (ii) $1,500,000 minus reserves established Burnley at any time in accordance with the loan and security agreement. In connection with the closing of the acquisition of Goedeker Television on April 5, 2019, Goedeker borrowed $744,000 under the loan and security agreement and issued a revolving note to Burnley in the principal amount of up to $1,500,000. As of December 31, 2019, the balance of the line of credit was $571,997.					
Total payoff amount		$ 118,194									

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Principal amount		32,350				
Interest amount		42				
Prepayment legal and other fees		85,802				
Loans aggregate maximum loan amount				$ 1,000,000		
Interest rate of libor				$ 0.0799		
Line of credit						$ 678,993
Loan principal amount	$ 3,500,000					
Debt outstanding balance of loan					$ 3,340,602	
Debt comprised of principal amount					3,446,126	
Net of unamortized loan costs					103,524	
PPP Loan, description			Goedeker received a $642,600 PPP loan from the United States Small Business Administration under provisions of the CARES Act. The PPP loan has an 18-month term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP loan contains events of default and other provisions customary for a loan of this type. The PPP provides that the loan may be partially or wholly forgiven if the funds are used			

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		for certain qualifying expenses as described in the CARES Act. The balance of the PPP loan was $642,600 as of October 23, 2020 and was classified as a current liability.							
Small business community Capital term loan principal amount				$ 1,500,000					
Debt term principal amount				$ 1,500,000					
Senior capital stock, percentage				5.00%					
Fully-diluted basis for an aggregate price				$ 100					
Debt balance of note amount								$ 999,201	
Loan and security agreement total payoff amount	1,122,412								
Debt consisting of principal amount	1,066,640								
Interest	11,773								
prepayment, legal, and other fees	$ 43,999								
Warrant as a derivative liability									$ 2,250,000
Warrant from the estimated value							$ 122,344		
Derivative liability charge amount					$ 2,127,656				
Warrant into shares of common stock (in Shares)			250,000						
Goedeker television, description						as representative of Goedeker Television, of a 9% subordinated promissory note in the principal amount of $4,100,000. As of December 31, 2019, the balance of the note was $3,300,444.			
Payments of principal and interest, description							(i) the principal amount of the existing note was increased by $250,000, (ii) upon		

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		the closing of the Goedeker IPO, Goedeker agreed to make all payments of principal and interest due under the note through the date of the closing, and (iii) from and after the closing, the interest rate of the note was increased from 9% to 12%. In accordance with the terms of the amended and restated note, Goedeker used a portion of the proceeds from the Goedeker IPO to pay $1,083,842 of the balance of the note representing a $696,204 reduction in the principal balance and interest accrued through August 4, 2020 of $387,638.
Loss on extinguishment of debt		$ 757,239
Forbearance fee		250,000
Write-off of unamortized loan discount		338,873
Write-off of unamortized debt costs		$ 168,366
Secured convertible promissory note aggregate principal amount	$ 714,286	

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Discontinued Operations (Details) - Schedule of major classes of assets and liabilities of the discontinued operations - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Schedule of major classes of assets and liabilities of the discontinued operations [Abstract]		
Cash		$ 64,470
Accounts receivable, net		1,862,086
Vendor deposits		294,960
Inventories, net		1,380,090
Prepaid expenses and other current assets		892,796
Total current assets – discontinued operations		4,494,402
Property and equipment, net		185,606
Operating lease right of use assets		2,000,755
Goodwill		4,976,016
Intangible assets, net		1,878,844
Deferred tax asset		698,303
Other assets		45,000
Total noncurrent assets		9,784,524
Accounts payable and accrued expenses		2,465,220
Current portion of operating lease liability		422,520
Advances, related party		137,500
Lines of credit		1,250,930
Notes payable – current portion		2,068,175
Warrant liability		122,344
Convertible promissory note – current portion		584,943
Customer deposits		4,164,296
Total current liabilities – discontinued operations		11,215,928
Operating lease liability – long term, net of current portion		1,578,235
Notes payable – long term, net of current portion		2,231,469
Contingent note payable		49,248
Total long term liabilities – discontinued operations		$ 3,858,952

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Discontinued Operations (Details) - Schedule of consolidated statements of operations from discontinued operations - USD ($)	9 Months Ended	10 Months Ended		12 Months Ended	
	Dec. 31, 2019	Oct. 23, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
REVENUES					
Furniture and appliances revenue		$ 42,715,266	$ 34,668,113		
OPERATING EXPENSES					
Cost of sales		35,613,453	28,596,127		
Personnel costs		4,715,687	2,909,752		
Depreciation and amortization		276,914	271,036		
General and administrative		7,022,720	4,608,434		
TOTAL OPERATING EXPENSES		47,628,774	7,789,221		
NET LOSS FROM OPERATIONS		(4,919,059)	(1,717,238)		
OTHER INCOME (EXPENSE)					
Financing costs		(757,646)	(520,160)		
Loss on extinguishment of debt		(1,756,095)			
Interest expense, net		(604,909)	(683,211)		
Loss on acquisition receivable		(809,000)			
Change in warrant liability	$ 106,900	(2,127,656)	106,900		
Interest income		9,674			
Other income (expense)			15,010		
TOTAL OTHER INCOME (EXPENSE)		(6,045,632)	(1,049,215)		
NET LOSS BEFORE INCOME TAXES		(10,964,691)	(2,766,453)	$ (10,964,688)	$ (2,766,453)
INCOME TAX BENEFIT		(698,303)	(698,303)		
NET LOSS BEFORE NON-CONTROLLING INTERESTS		(11,662,984)	(2,068,150)		
LESS NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		(4,491,222)	(620,445)	$ 4,491,220	$ 620,445
NET LOSS ATTRIBUTABLE TO 1847 HOLDINGS SHAREHOLDERS		$ (7,172,772)	$ (1,447,705)		

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Discontinued Operations (Details) - Schedule of consolidated statements of cash flows relating to discontinued operations - USD ($)	9 Months Ended	10 Months Ended		12 Months Ended	
	Dec. 31, 2019	Oct. 23, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Cash flows from operating activities of discontinued operations:					
Net loss	$ (2,068,152)	$ (11,662,994)		$ 11,662,991	$ 2,068,150
Adjustments to reconcile net loss to net cash provided by (used in) operating activities of discontinued operations:					
Depreciation and amortization	271,036	276,913			
Stock compensation	599,814	281,194			
Amortization of financing costs		842,174			
Loss on extinguishment of debt		1,955,787			
Gain on write-down of contingent liability	(32,246)			(382,681)	
Write-off of acquisition receivable		809,000			
Change in fair value of warrant liability	(106,900)	2,127,656	$ (106,900)		
Changes in operating assets and liabilities:					
Accounts receivable	(1,405,904)	(3,585,090)			
Vendor deposits	(294,960)	(252,688)			
Inventory	471,161	(2,055,293)			
Prepaid expenses and other assets	167,066	(1,106,409)			
Change in operating lease right-of-use assets	299,245				
Deferred tax asset	(698,303)	698,303			
Accounts payable and accrued expenses	(1,464,657)	381,443			
Customer deposits	1,855,990	14,427,180			
Operating lease liability	(299,245)				
Net cash provided by (used in) operating activities from discontinued operations	(2,706,053)	3,137,176			
Cash flows from investing activities in discontinued operations:					
Purchase of property and equipment	(2,200)	(51,059)			
Net cash provided by investing activities in discontinued operations	(2,200)	(51,059)		(51,059)	(2,200)
Cash flows from financing activities in discontinued operations:					
Proceeds from initial public offering		8,602,166			
Proceeds from notes payable	1,500,000	642,600			
Repayment of notes payable	(357,207)	(2,818,098)			
Payments on convertible notes payable	650,000				
Net borrowings (payments) from lines of credit	1,339,430	(1,339,430)			

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Cash paid for financing costs	(359,500)	(105,279)		
Net cash used in financing activities	$ 2,772,723	$ 4,981,959	$ 4,981,959	$ 2,772,723

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Receivables (Details) - Schedule of receivables - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Schedule of receivables [Abstract]		
Credit card payments in process of settlement	$ 158,924	
Trade receivables from customers	715,410	620,370
Total receivables	874,334	620,370
Allowance for doubtful accounts	(14,614)	(29,001)
Accounts receivable, net	$ 859,720	$ 591,369

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Inventories (Details) - Schedule of inventory - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Inventory [Line Items]		
Subtotal	$ 2,509,204	$ 261,887
Allowance for inventory obsolescence	(181,371)	(26,545)
Inventories, net	2,327,833	235,342
Machinery and Equipment [Member]		
Inventory [Line Items]		
Subtotal	331,935	119,444
Parts [Member]		
Inventory [Line Items]		
Subtotal	147,999	142,443
Appliances [Member]		
Inventory [Line Items]		
Subtotal	$ 2,029,270	

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Property and Equipment (Details) - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Property, Plant and Equipment [Abstract]		
Depreciation expense	$ 1,295,744	$ 1,378,952

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Property and Equipment (Details) - Schedule of property and equipment - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Property, Plant and Equipment [Line Items]		
Total	$ 7,116,549	$ 6,858,168
Less: Accumulated depreciation	(4,792,202)	(3,676,347)
Property and equipment, net	2,324,347	3,181,821
Buildings and improvements [Member]		
Property, Plant and Equipment [Line Items]		
Total	47,939	5,338
Equipment and machinery [Member]		
Property, Plant and Equipment [Line Items]		
Total	3,127,158	3,019,638
Tractors [Member]		
Property, Plant and Equipment [Line Items]		
Total	2,578,296	2,694,888
Trucks and other vehicles [Member]		
Property, Plant and Equipment [Line Items]		
Total	$ 1,363,156	$ 1,138,304

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Intangible Assets (Details) - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Intangible Assets (Details) [Line Items]		
Weighted average estimated useful life	9 years 6 months	
Customer Relationships [Member]		
Intangible Assets (Details) [Line Items]		
Identifiable intangible assets	$ 3,223,000	$ 34,000
Amortization expense	(89,486)	(19,267)
Asien, Neese and Kyle [Member] | Customer Relationships [Member]		
Intangible Assets (Details) [Line Items]		
Identifiable intangible assets	1,009,000	
Amortization expense	151,333	
Asien, Neese and Kyle [Member] | Trade Names [Member]		
Intangible Assets (Details) [Line Items]		
Identifiable intangible assets	$ 34,000	3,021,000
Amortization expense		$ 14,733

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Intangible Assets (Details) - Schedule of intangible assets - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Intangible Assets (Details) - Schedule of intangible assets [Line Items]		
Marketing related identifiable intangible assets, net	$ 759,886	
Total Identifiable intangible assets, net	3,893,400	14,733
Customer relationship identifiable intangible assets, net	3,133,514	14,733
Customer Relationships [Member]		
Intangible Assets (Details) - Schedule of intangible assets [Line Items]		
Identifiable intangible assets, gross	3,223,000	34,000
Accumulated amortization	(89,486)	(19,267)
Marketing Related [Member]		
Intangible Assets (Details) - Schedule of intangible assets [Line Items]		
Identifiable intangible assets, gross	841,000	
Accumulated amortization	$ (81,114)	

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Intangible Assets (Details) - Schedule of annual amortization expense - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Schedule of annual amortization expense [Abstract]		
2020 (remainder)	$ 397,988	
2021	392,321	
2022	391,188	
2023	391,173	
2024	258,169	
Thereafter	2,062,561	
Total	$ 3,893,400	$ 14,733

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Acquisitions (Details) - USD ($)	9 Months Ended	12 Months Ended			
	Sep. 30, 2020	Dec. 31, 2020	Dec. 31, 2019	Oct. 23, 2020	May 28, 2020
Acquisitions (Details) [Line Items]					
Write-off contingent liability			$ 32,246		
Contingent note payable				$ 49,248	
Goedeker [Member] | April 5, 2019 [Member]					
Acquisitions (Details) [Line Items]					
Business acquisition purchase price		$ 6,200,000			
Business acquisition purchase price in cash		1,500,000			
Business acquisition purchase price payable in promissory note		4,100,000			
Business acquisition purchase price payable earn out payments		$ 600,000			
Additional consideration description		As additional consideration, 1847 Goedeker agreed to issue to each of the Stockholders a number of shares of its common stock equal to a 11.25% non-dilutable interest (22.5% total) in all of the issued and outstanding stock of 1847 Goedeker as of the closing date.			
Business acquisition purchase price in cash description		The report issued by that CPA firm determined that Goedeker Television owed Goedeker $809,000, which Goedeker Television has not paid. On or about March 23, 2020, Goedeker submitted a claim for arbitration to the American Arbitration Association relating to Goedeker Television's failure to pay the amount owed. The claim alleges, inter alia, breach of contract, fraud, indemnification and the breach of the covenant of good faith and fair dealing. Goedeker is alleging damages in the amount of $809,000, plus attorneys' fees and costs. The $809,000 is included in other assets in the			

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	accompanying balance sheet as of December 31, 2019.
Goedeker Television [Member]	
Acquisitions (Details) [Line Items]	
Adjusted cash portion	$ 478,000
Business acquisition purchase price in cash description	Pursuant to the settlement agreement, the parties entered into an amendment and restatement of the 9% subordinated promissory note described above (see Note 5). In addition, the parties agreed that the arbitration action described above would be settled effective upon the closing of the Goedeker IPO and that each party to such arbitration action would release all claims that it has against the other parties to such action. As part of the settlement of the arbitration action, Goedeker agreed that the sellers will not have to pay the $809,000 working capital adjustment amount resulting in a loss on the acquisition receivable in the year ended December 31, 2020.
Goedeker Television [Member] | April 5, 2019 [Member]	
Acquisitions (Details) [Line Items]	
Business acquisition purchase price payable earn out payments	$ 81,494
Additional consideration description	To the extent Goedeker Television is entitled to all or a portion of an earn out payment, the applicable earn out payment(s) (or portion thereof) shall be paid on the date that is three (3) years from the closing date, and shall accrue interest from the date on which it is determined Goedeker Television is entitled to such earn out payment (or portion thereof) at a rate equal to five percent (5%) per annum, computed on the basis of a 360 day year for the actual number of days elapsed.
Business acquisition purchase price in cash description	Goedeker Business for any applicable period is less than $2,500,000 but greater than $1,500,000, Goedeker must pay a partial earn out payment to Goedeker Television in an amount equal to the product determined by multiplying (i) the EBITDA Achievement

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		Percentage by (ii) the applicable earn out payment for such period, where the "Achievement Percentage" is the percentage determined by dividing (A) the amount of (i) the EBITDA of the Goedeker Business for the applicable period less (ii) $1,500,000, by (B) $1,000,000. For avoidance of doubt, no partial earn out payments shall be earned or paid to the extent the EBITDA of the Goedeker Business for any applicable period is equal or less than $1,500,000. For the trailing twelve (12) month period from the closing date, EBITDA for the Goedeker Business was $(2,825,000), so Goedeker Television is not entitled to an earn out payment for that period.
Earn out payments description		Goedeker Television is also entitled to receive the following earn out payments to the extent the Goedeker Business achieves the applicable EBITDA (as defined in the asset purchase agreement) targets: 1.An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the closing date is $2,500,000 or greater; 2.An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the first anniversary of closing date is $2,500,000 or greater; and 3.An earn out payment of $200,000 if the EBITDA of the Goedeker Business for the trailing twelve (12) month period from the second anniversary of the closing date is $2,500,000 or greater.
Net liabilities assumed	$ 614,337	
Asiens [Member] | May 28, 2020 [Member]		
Acquisitions (Details) [Line Items]		
Business acquisition purchase price		$ 2,125,000
Business acquisition purchase price in cash		233,000
Business acquisition purchase price payable in promissory note		200,000
Business acquisition purchase price payable earn out payments		$ 655,000

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Business acquisition shares of common stock (in Shares)		415,000	
Mutual value		$ 830,000	
Business acquisition value of common stock		$ 1,037,500	
Purchase price per share (in Dollars per share)		$ 2.50	
Fair value of the net tangible assets		$ 1,171,272	
Non controlling interest	431,641		$ 7,625,222
Kyle’s Acquisition [Member]			
Acquisitions (Details) [Line Items]			
Business acquisition purchase price		6,650,000	
Business acquisition purchase price in cash		4,200,000	
Business acquisition purchase price payable in promissory note		1,050,000	
Business acquisition purchase price payable earn out payments		$ 4,356,162	
Business acquisition shares of common stock (in Shares)		700,000	
Mutual value		$ 1,400,000	
Business acquisition value of common stock		3,675,000	
Fair value of the net tangible assets		$ 527,618	
Subordinate note, percentage		8.00%	
Excess divided, per share (in Dollars per share)		$ 2.00	
Working capital		$ 154,000	
Non controlling interest	$ 1,120,224	$ 380,500	
Minimum [Member] | Property, Plant and Equipment [Member] | Asiens [Member]			
Acquisitions (Details) [Line Items]			
Estimated useful life		5 years	
Minimum [Member] | Property, Plant and Equipment			

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[Member] | Kyle’s Acquisition [Member]	
Acquisitions (Details) [Line Items]	
Estimated useful life	3 years
Maximum [Member] | Property, Plant and Equipment [Member] | Asiens [Member]	
Acquisitions (Details) [Line Items]	
Estimated useful life	13 years
Maximum [Member] | Property, Plant and Equipment [Member] | Kyle’s Acquisition [Member]	
Acquisitions (Details) [Line Items]	
Estimated useful life	7 years

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Acquisitions (Details) - Schedule of preliminary analysis for the Goedeker asset purchase - Goedeker [Member]	12 Months Ended
	Dec. 31, 2020 USD ($)
Purchase consideration at final fair value:	
Note payable, net of $462,102 debt discount and $215,500 of capitalized financing costs	$ 3,422,398
Contingent note payable	81,494
Non-controlling interest	979,523
Amount of consideration	4,483,415
Assets acquired and liabilities assumed at fair value	
Accounts receivable	334,446
Inventories	1,851,251
Working capital adjustment receivable and other assets	1,104,863
Property and equipment	216,286
Customer related intangibles	749,000
Marketing related intangibles	1,368,000
Accounts payable and accrued expenses	(3,929,876)
Customer deposits	(2,308,307)
Net tangible assets acquired (liabilities assumed)	(614,337)
Total net assets acquired (liabilities assumed)	(614,337)
Consideration paid	4,483,415
Goodwill	$ 5,097,752

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Acquisitions (Details) - Schedule of preliminary analysis for the Asien's purchase - Asiens [Member]	Dec. 31, 2020 USD ($)
Purchase Consideration at fair value:	
Common shares	$ 1,037,500
Notes payable	855,000
Due to seller	233,000
Amount of consideration	2,125,500
Assets acquired and liabilities assumed at fair value	
Cash	1,501,285
Accounts receivable	235,746
Inventories	1,457,489
Other current assets	41,427
Deferred tax asset	11,653
Property and equipment	157,052
Customer related intangibles	462,000
Marketing related intangibles	547,000
Accounts payable and accrued expenses	(280,752)
Customer deposits	(2,405,703)
Notes payable	(509,272)
Other liabilities	(23,347)
Net assets acquired	1,182,925
Total net assets acquired	1,171,272
Consideration paid	2,125,500
Goodwill	$ 942,575

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Acquisitions (Details) - Schedule of preliminary analysis for the Kyle's Acquisition - Kyle's Acquisition [Member]	Dec. 31, 2020 USD ($)
Purchase Consideration at fair value:	
Common shares	$ 3,675,000
Notes payable	498,979
Due to seller	4,389,792
Amount of consideration	8,563,771
Assets acquired and liabilities assumed at fair value	
Cash	130,000
Accounts receivable	385,095
Costs in excess of billings	122,016
Other current assets	13,707
Property and equipment	200,737
Customer related intangibles	2,727,000
Marketing related intangibles	294,000
Accounts payable and accrued expenses	(263,597)
Billings in excess of costs	(43,428)
Other liabilities	(49,000)
Net tangible assets acquired	3,516,530
Total net assets acquired	3,516,530
Consideration paid	8,563,771
Goodwill	$ 5,047,243

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Acquisitions (Details) - Schedule of income statement - Business Acquisitions [Member] - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Condensed Income Statements, Captions [Line Items]		
Revenues, net	$ 24,376,944	$ 23,849,214
Net income (loss)	$ (1,402,208)	$ (230,704)
Basic earnings (loss) per share	$ (0.31)	$ (0.05)
Diluted earnings (loss) per share	$ (0.31)	$ (0.05)
Basic Number of Shares	[1] 4,561,840	4,230,625
Diluted Number of Shares	[1] 4,561,840	4,230,625

[1] shares assuming as if issued as of Jan 1.

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Notes Payable (Details) - USD ($)					1 Months Ended			12 Months Ended				
	Jul. 10, 2020	Jun. 13, 2018	Sep. 25, 2020	Aug. 04, 2020	Jul. 29, 2020	May 28, 2020	Oct. 30, 2017	Dec. 31, 2020	Dec. 31, 2019	Sep. 30, 2020	Apr. 28, 2020	Apr. 10, 2020
Notes Payable (Details) [Line Items]												
Payment of interest								10.00%				
Interest expense								$ 460,559	$ 523,780			
Interest payment of promissory notes				$ 11,773								
Maturity date	Jul. 10, 2021											
Principal balance								101,980				
Debt instrument, periodic payment, principal				$ 32,350								
Purchase price, per share					$ 2.50							
Earnings before interest, taxes, depreciation, and amortization								1,531,000				
Vested amount								415,000				
Home State Bank [Member]												
Notes Payable (Details) [Line Items]												
Promissory notes current portion								40,000				
PPP Loans [Member]												
Notes Payable (Details) [Line Items]												
PPP loans as current liabilities								741,100				
1847 Asien/Asien's [Member]												
Notes Payable (Details) [Line Items]												
Aggregate remaining principal								90,375				
1847 Asien/Asien's [Member] | Arvest Bank [Member]												
Notes Payable (Details) [Line Items]												
Revolving loan	$ 400,000											
Debt instrument, interest rate	5.25%											
Prime rate plus percent	2.00%											
Outstanding balance								301,081				
Accrued interest on promissory note								995				
1847 Asien/Asien's [Member] | Vesting Promissory Note [Member]												
Notes Payable (Details) [Line Items]												
Increasing principal amount								200,000				
1847 Asien/Asien's [Member] | Wells Fargo [Member]												
Notes Payable (Details) [Line Items]												
Inventory financing agreement term			1 year									
1847 Asien/Asien's [Member] | Paul A. Gwilliam and Terri L. Gwilliam [Member]												
Notes Payable (Details) [Line Items]												
Promissory note payable								41,675				

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Unsecured promissory note term, description	On October 30, 2017, Asien’s entered into a stock repurchase agreement with Paul A. Gwilliam and Terri L. Gwilliam, co-trustees of the Gwilliam Family Trust, pursuant to which Asien’s issued an unsecured promissory note in the aggregate principal amount of $540,000 for a term of 5 years.		
Aggregate principal amount	$ 540,000		
1847 Asien/Asien's [Member] | Minimum [Member]			
Notes Payable (Details) [Line Items]			
Interest expense		$ 40,000	
Finance at rates ranging		3.98%	
1847 Asien/Asien's [Member] | Maximum [Member]			
Notes Payable (Details) [Line Items]			
Finance at rates ranging		6.99%	
1847 Neese [Member] | 10% Promissory Note [Member]			
Notes Payable (Details) [Line Items]			
Promissory note payable		$ 1,025,000	
Interest rate		10.00%	
Long-term accrued expenses		$ 40,000	$ 383,600
Annual interest rate		16.00%	
1847 Neese [Member] | 10% Promissory Note [Member] | Home State Bank [Member]			
Notes Payable (Details) [Line Items]			
Interest payment of promissory notes		$ 40,000	
1847 Kyle's [Member] | Vesting Promissory Note [Member]			

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Notes Payable (Details) [Line Items]		
Interest rate		8.00%
Paid by issuance percentage	8.00%	
Increasing principal amount		$ 1,260,000
Principal amount		$ 1,050,000
1847 Cabinet [Member] | Vesting Promissory Note [Member]		
Notes Payable (Details) [Line Items]		
Promissory note, description	The vested principal of the note due at the maturity date shall be calculated each year based on the average annual consolidated EBITDA (as defined in the note) of 1847 Cabinet for each of the years ended December 31, 2020, 2021 and 2022. The EBITDA for each year shall be divided by $1.4 million multiplied by 100 to obtain the vested percentage. The vested principal for each year shall be equal to the vested percentage for that year multiplied by $350,000. To the extent that the vested percentage for the subject year is less than 80%, no portion of the note for that year shall vest. To the extent that	

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		the vested percentage for the subject year is equal to or greater than 120%, the vested principal shall be equal to $420,000 for that year and no more.
Unvested principal amount		$ 350,000
1847 Cabinet/Kyle's [Member] | Intercompany Secured Promissory Note [Member]		
Notes Payable (Details) [Line Items]		
Issuance of secured promissory note		$ 4,525,000
Outstanding principal balance interest percentage		5.00%
Neese [Member]		
Notes Payable (Details) [Line Items]		
Interest rate		8.00%
Neese [Member] | Home State Bank [Member]		
Notes Payable (Details) [Line Items]		
Debt coverage ratio, description	On June 13, 2018, Neese entered into a term loan agreement with Home State Bank, pursuant to which Neese issued a promissory note to Home State Bank in the principal amount of $3,654,074 with an annual interest rate of 6.85% and with covenants to maintain a minimum debt coverage	

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	ratio of 1.00 to 1.25 measured at December 31, 2020.	
Debt instrument, maturity date, description		Pursuant to the change in terms agreement: (i) the maturity date was extended to July 30, 2022; (ii) the interest rate was changed to 5.50%; (iii) Neese agreed to pay accrued interest in the amount of $95,970; (iv) Neese agreed to make payments of $30,000 beginning on September 30, 2020 and continuing thereafter on a monthly basis until maturity, at which time a final interest payment is due; (v) Neese agreed to make a payment of $260,000 on December 30, 2020 and December 30, 2021; (vi) Neese agreed to make two new advances under the note in the amounts $51,068 and $517,529 to repay in full Neese's capital lease transactions due to Utica Leaseco LLC described below; (vii) Neese agreed

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		to pay a loan fee of $17,500; and (viii) Home State Bank agreed to make a loan advance to checking for $17,500. The balance of the note amounts to $3,225,321, comprised of principal of $3,239,176, net of unamortized debt discount of $13,855 as of December 31, 2020.	
Repayment of secured loan		$ 1,095	
Amortization of debt issuance costs		$ 15,513	18,645
Interest rate		4.25%	
Debt instrument, periodic payment, principal	$ 415,000		
Neese [Member] | Home State Bank [Member] | Home State Bank [Member]			
Notes Payable (Details) [Line Items]			
Repayment of secured loan		$ 0	$ 30,500
Asien's Seller [Member] | 1847 Asien/Asien's [Member] | 8% Subordinated Amortizing Promissory Note [Member]			
Notes Payable (Details) [Line Items]			
Promissory notes current portion		$ 4,525,000	
Unpaid interest due date		May 28, 2021	
Promissory notes		$ 182,488	
Asien's Seller [Member] | 1847 Asien/Asien's [Member] | 6% Amortizing Promissory Note [Member]			
Notes Payable (Details) [Line Items]			
Accrued interest on promissory note		975,985	
Promissory note, description	As consideration, 1847 Asien issued to the Asien's Seller a two-year 6% amortizing promissory note in the		

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	aggregate principal amount of $1,037,500. One-half (50%) of the outstanding principal amount of the note ($518,750) and all accrued interest thereon, will be amortized on a two-year straight-line basis and is payable quarterly. The second-half (50%) of the outstanding principal amount of the note ($518,750) with all accrued, but unpaid interest thereon, is due on the second anniversary of the note.	
Prepayment of short term debt in excess of cash balance, amount		17,894
Asien's Seller [Member] | 1847 Asien/Asien's [Member] | Demand Promissory Note [Member]		
Notes Payable (Details) [Line Items]		
Promissory note payable		$ 655,000
Promissory note, description		The note accrued interest at a rate of one percent (1%) computed on the basis of a 360-day year. Principal and accrued interest on the note was payable 24 hours after written demand by the Seller. The note was

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		repaid in June 2020.
TVT Direct Funding LLC [Member] | 1847 Asien/ Asien's [Member] | Agreement of Sale of Future Receipts [Member]		
Notes Payable (Details) [Line Items]		
Agreement of sale of future Receipts, description	On May 28, 2020, 1847 Asien and Asien's entered into an agreement of sale of future receipts with TVT Direct Funding LLC ("TVT"), pursuant to which 1847 Asien and Asien's agreed to sell future receivables with a value of $685,000 to TVT for a purchase price of $500,000. 1847 Asien and Asien's agreed to deliver to TVT 20% of its weekly future receipts, or approximately $23,300, over the course of an estimated seven-month term, or such date when the above amount of receivables has been delivered to TVT.	
Origination fees	$ 25,000	
Asein's [Member] | Small Business Administration (SBA) [Member]		
Notes Payable (Details) [Line Items]		
Promissory note, description		The PPP loans have two-year terms and bear interest at a rate of

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	1.0% per annum. Monthly principal and interest payments are deferred for six months after the date of disbursement.	
Paycheck protection program loans		$ 357,500

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Floor Plan Loans Payable (Details) - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Floor Plan Loans Payable [Abstract]		
Machinery and equipment inventory	$ 0	$ 10,581

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Convertible Promissory Note (Details) - USD ($)				1 Months Ended			12 Months Ended	
	Sep. 02, 2020	Aug. 04, 2020	Jul. 21, 2020	May 11, 2020	May 04, 2020	Apr. 05, 2019	Dec. 31, 2020	Dec. 07, 2020
Convertible Promissory Note (Details) [Line Items]								
Aggregate principal amount							$ 10,000	$ 56,900
Increase the principal amount of the note				$ 207,145				
Secured convertible promissory note, description				In connection with the amendment, (i) the Company issued to Leonite another five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis and (ii) upon closing of the Asien's acquisition, 1847 Asien issued to Leonite shares of common stock equal to a 5% interest in 1847 Asien. The amendment represented a prepayment of principal and accrued interest resulting in a debt extinguishment and we recorded				

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		an aggregate extinguishment loss of $773,856.		
Debt converted amount				$ 101,980
Warrant to common shares (in Shares)	180,000			
Common stock underlying warrant (in Shares)	20,000			
Debt underlying warrant (in Shares)	200,000			
Exercise warrants (in Shares)	180,000			
Goedeker [Member]				
Convertible Promissory Note (Details) [Line Items]				
Aggregate principal amount			$ 714,286	
Additional purchase of note, description			As additional consideration for the purchase of the note, (i) the Company issued to Leonite 50,000 common shares, (ii) the Company issued to Leonite a five-year warrant to purchase 200,000 common shares at an exercise price of $1.25 per share (subject to adjustment), which may be exercised on a cashless basis, and (iii) Holdco issued to Leonite shares of common stock equal to a 7.5% non-	

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		dilutable interest in Holdco.
Purchase price description		The note carries an original issue discount of $64,286 to cover Leonite's legal fees, accounting fees, due diligence fees and/or other transactional costs incurred in connection with the purchase of the note. Furthermore, the Company issued 50,000 common shares valued at $137,500 and a debt-discount related to the warrants valued at $292,673. The Company amortized $292,673 of financing costs related to the shares and warrants in the year ended December 31, 2020.
Total payoff amount	$ 780,653	
Consisting of debt principal amount	771,431	
Interest amount	$ 9,222	

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Leonite converted [Member]		
Convertible Promissory Note (Details) [Line Items]		
Debt converted amount	$ 50,000	$ 100,000
Shares of common stock (in Shares)	50,000	100,000

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Financing Lease (Details) - Master Lease Agreement [Member] - USD ($)	1 Months Ended			12 Months Ended		
	Jul. 29, 2020	Oct. 31, 2017	Mar. 03, 2017	Dec. 31, 2020	Dec. 31, 2019	Jul. 03, 2018
Financing Lease (Details) [Line Items]						
Proceeds from capital lease		$ 980,000	$ 3,240,000			
Lease outstanding			$ 475,000			
Lease payable beginning						$ 12,882
Lease payable ending						$ 38,000
Capital lease term		51 months				
Lease rent monthly		$ 25,807				
Capital lease transaction	$ 568,597					
Issuance costs				$ 23,360	$ 11,055	

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Operating Leases (Details) - USD ($)	Sep. 01, 2020	Mar. 03, 2017	May 14, 2014	12 Months Ended Dec. 31, 2020	Jun. 13, 2018
Neese [Member]					
Operating Leases (Details) [Line Items]					
Lease term		10 years			
Operating lease base rent		$ 8,333			
Interest rate on unpaid amount		18.00%			
Salary or rent not payable					$ 100,000
Long-term accrued liability				$ 300,000	
Operating lease liabilities				100,000	
Lease annual payment			$ 11,830		
Annual payments for lease payments				616,667	
Kyle's [Member]					
Operating Leases (Details) [Line Items]					
Lease term	5 years				
Interest rate on unpaid amount	12.00%				
Lease rent, description	The lease is for a term of five years, with an option for a renewal term of five years, and provides for a base rent of $7,000 per month for the first 12 months, which will increase to $7,210 for months 13-16 and to $7,426 for months 37-60.				
Annual payments for lease payments				407,271	
Asien's [Member]					
Operating Leases (Details) [Line Items]					
Annual payments for lease payments				$ 11,665	

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Operating Leases (Details) - Schedule of supplemental balance sheet information - Neese [Member] - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Operating Leases (Details) - Schedule of supplemental balance sheet information [Line Items]		
Operating lease right-of-use lease asset	$ 624,157	$ 624,157
Accumulated amortization	(122,330)	(59,077)
Net balance	501,827	565,080
Lease liability, current portion	67,725	63,253
Lease liability, long term	434,102	501,827
Total operating lease liabilities	$ 501,827	$ 565,080
Weighted Average Remaining Lease Term - operating leases	74 months	86 months
Weighted Average Discount Rate - operating leases	6.85%	6.85%

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Operating Leases (Details) - Schedule of future minimum lease payments - Neese [Member]	Dec. 31, 2020 USD ($)
Operating Leases (Details) - Schedule of future minimum lease payments [Line Items]	
2020 (reminder of year)	$ 100,000
2021	100,000
2022	100,000
2023	100,000
2024	100,000
Thereafter	116,667
Total lease payments	616,667
Less imputed interest	(114,840)
Maturities of lease liabilities	$ 501,827

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Operating Leases (Details) - Supplemental balance sheet information related to leases - Kyle's [Member]	Dec. 31, 2020 USD ($)
Operating Leases (Details) - Supplemental balance sheet information related to leases [Line Items]	
Operating lease right-of-use lease asset	$ 373,916
Accumulated amortization	(15,931)
Net balance	357,985
Lease liability, current portion	66,803
Lease liability, long term	291,182
Total operating lease liabilities	$ 357,985
Weighted Average Remaining Lease Term - operating leases	44 months
Weighted Average Discount Rate - operating leases	5.50%

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Operating Leases (Details) - Schedule of future minimum lease payments - Kyle's [Member]	Dec. 31, 2020 USD ($)
Operating Leases (Details) - Schedule of future minimum lease payments [Line Items]	
2021	$ 84,840
2022	86,520
2023	87,385
2023	89,116
2025	59,410
Total lease payments	407,271
Less imputed interest	(49,286)
Maturities of lease liabilities	$ 357,985

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Related Parties (Details) - USD ($)	Jan. 03, 2018	Apr. 15, 2013	3 Months Ended	7 Months Ended	12 Months Ended			
			Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 07, 2020	Apr. 05, 2019
Related Parties (Details) [Line Items]								
Management fee					$ 0	$ 0		
Expensed management fees			$ 75,000	$ 178,022				
Advances from related parties			118,834	118,834	118,834	118,834		
Initial principal amount								$ 714,286
Principal amount			10,000	10,000	10,000		$ 56,900	
Advances			56,900	56,900	56,900	119,400		
Accrued interest			25,159	25,159	25,159	17,115		
Promissory Note [Member]								
Related Parties (Details) [Line Items]								
Initial principal amount	$ 50,000							
Additional advances, description	The note provided that the Company could request additional advances from the Manager up to an aggregate additional amount of $150,000.							
Fixed annual interest rate	8.00%							
Interest rate	12.00%							
Repayment, description	In the event that the Company completes a financing that includes an uplisting of the Company’s common shares to a national exchange, then the Company must, contemporaneously with the closing of such financing transaction, repay the entire							

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<table>
<tr><td></td><td>outstanding principal, outstanding advances, and accrued and unpaid interest on the note.</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Goedeker [Member]</u></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Related Parties (Details) [Line Items]</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Management fee</u></td><td></td><td></td><td></td><td></td><td>62,500</td><td></td></tr>
<tr><td><u>Neese [Member]</u></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Related Parties (Details) [Line Items]</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Management fee</u></td><td></td><td></td><td></td><td></td><td>250,000</td><td>250,000</td></tr>
<tr><td><u>Long-term accrued liability</u></td><td></td><td></td><td>700,808</td><td>700,808</td><td>$ 700,808</td><td></td></tr>
<tr><td><u>Management Services Agreement [Member]</u></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Related Parties (Details) [Line Items]</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Description of management fee</u></td><td></td><td>On April 15, 2013, the Company and the Manager entered into a management services agreement, pursuant to which the Company is required to pay the Manager a quarterly management fee equal to 0.5% of its adjusted net assets for services performed (the “Parent Management Fee”).</td><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Manager [Member] | Asien [Member]</u></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

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Related Parties (Details) [Line Items]

Description of management fee	Pursuant to the offsetting management services agreements, 1847 Neese appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, Goedeker appointed the Manager to provide certain services to it for a quarterly management fee equal to $62,500, 1847 Asien appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement) and 1847

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Cabinet appointed the Manager to provide certain services to it for a quarterly management fee equal to the greater of $75,000 or 2% of adjusted net assets (as defined in the management services agreement); provided, however, in each case that (i) pro rated payments shall be made in the first quarter and the last quarter of the term, (ii) if the aggregate amount of management fees paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the

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Company to the Manager, in each case, with respect to any fiscal year exceeds, or is expected to exceed, 9.5% of the Company's gross income with respect to such fiscal year, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for any remaining fiscal quarters in such fiscal year shall be reduced, on a pro rata basis determined by reference to the management fees to be paid to the Manager by all of the subsidiaries of the Company, until the aggregate amount of the management fee paid or

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to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case, with respect to such fiscal year, does not exceed 9.5% of the Company's gross income with respect to such fiscal year, and (iii) if the aggregate amount the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the

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Manager, in each case, with respect to any fiscal quarter exceeds, or is expected to exceed, the Parent Management Fee with respect to such fiscal quarter, then the management fee to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet for such fiscal quarter shall be reduced, on a pro rata basis, until the aggregate amount of the management fee paid or to be paid by 1847 Neese, 1847 Asien or 1847 Cabinet, together with all other management fees paid or to be paid by all other subsidiaries of the Company to the Manager, in each case,

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			with respect to such fiscal quarter, does not exceed the Parent Management Fee calculated and payable with respect to such fiscal quarter.	
Quarterly management fee	75,000	75,000	$ 75,000	
Manager [Member] | Cabinet [Member]				
Related Parties (Details) [Line Items]				
Quarterly management fee	75,000	75,000	75,000	
Offsetting Management Services Agreement [Member]				
Related Parties (Details) [Line Items]				
Management fee			62,500	
Manager [Member]				
Related Parties (Details) [Line Items]				
Advances from related parties	$ 71,358	$ 71,358	$ 71,358	$ 62,499

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Shareholders’ Equity (Deficit) (Details) - USD ($)	1 Months Ended										3 Months Ended	7 Months Ended	9 Months Ended	12 Months Ended		
	Sep. 02, 2020	Jun. 04, 2020	May 11, 2020	May 04, 2020	Apr. 05, 2019	Oct. 26, 2020	Oct. 26, 2020	Aug. 28, 2020	Jul. 21, 2020	May 28, 2020	Dec. 31, 2020	Dec. 31, 2020	Sep. 30, 2020	Dec. 31, 2020	Dec. 31, 2019	Mar. 26, 2021
Shareholders’ Equity (Deficit) (Details) [Line Items]																
Allocation shares, authorized											1,000	1,000		1,000	1,000	
Allocation shares, outstanding											1,000	1,000		1,000	1,000	
Ownership of allocation shares by manager											100.00%	100.00%		100.00%		
Allocation of profit											20.00%	20.00%		20.00%		
Issued and outstanding, shares														1,000		
Senior convertible preferred shares													3,157,895			
Dividends rate (in Dollars per share)											$ 2.00	$ 2.00		$ 2.00		
Volume weighted average price														80.00%		
Accumulated accrued and unpaid dividends														115.00%		
Conversion price (in Dollars per share)											$ 2.00	$ 2.00		$ 2.00		
Ownership common shares outstanding														4.99%		
Shareholder limitation, description														This limitation may be waived (up to a maximum of 9.99%) by the holder and in its sole discretion, upon not less than sixty-one (61) days’ prior notice to the Company.		
Consolidations adjustments to conversion price, description														●On the first day of the 24th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding such date. ●On the first day of the 36th month following the issuance date of any series A senior convertible preferred shares, the stated dividend rate		

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Conversion price, description							shall automatically increase by an additional five percent (5.0%) per annum, the stated value shall automatically increase by ten percent (10%) and the conversion price shall automatically adjust to the lower of the (i) initial conversion price and (ii) the price equal to the lowest VWAP of the ten (10) trading days immediately preceding the third adjustment date. Notwithstanding the foregoing, the conversion price for purposes of the adjustments above shall not be adjusted to a number that is below $0.0075.		
Additional equity interest							10.00%		
Sale of stock, shares		442,443	442,443			2,189,835			
Sale of stock price (in Dollars per share)						$ 1.90			$ 2.00
Aggregate gross proceeds (in Dollars)		$ 840,640				$ 4,160,684			
Purchase price unit (in Dollars)			$ 840,640						
Warrant description			Each unit consists of one (1) series A senior convertible preferred share and a three-year warrant to purchase one (1) common share at an exercise price of $2.50 per common share (subject to adjustment), which may be exercised on a cashless basis under certain circumstances.						
Deemed dividend of beneficial conversion feature (in Dollars)							$ 2,874,478		
Common shares, authorized				500,000,000	500,000,000		500,000,000	500,000,000	
Common shares, issued				4,444,013	4,444,013		4,444,013	3,165,625	
Common shares, outstanding				4,444,013	4,444,013		4,444,013	3,165,625	
Common shares, voting rights							one		
Common stock shares upon conversion value (in Dollars)							$ 275,000		
Fair market value of services (in Dollars)							245,000		
Warrant exercise price (in Dollars per share)	$ 1.25								2.50
Warrant for proceeds (in Dollars)	$ 62,500								
Exercised options for proceeds (in Dollars)						$ 150,000	$ 212,500		
Estimated fair value (in Dollars per share)				$ 2.50	$ 2.50		$ 2.50		

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Common stock exercise price (in Dollars per share)						$ 2.50	$ 2.50	$ 2.50	
Warrant term description								The warrants have a term of three years and are callable by the Company after one year if the 30-day average stock price is in excess of $5 and the trading volume in the Company’s shares exceed 100,000 shares a day over such period. The Company can also redeem the warrants during the term for $0.50 a warrant in the first year; $1.00 a warrant in the second year; and $1.50 a warrant in the third year.	
Net loss attributable to non-controlling interests (in Dollars)								$ (595,731)	(514,019)
Leonite [Member]									
Shareholders’ Equity (Deficit) (Details) [Line Items]									
Sale of stock, shares				50,000					
Common shares, issued	180,000								
Common stock shares issued upon conversion			100,000		50,000				
Common stock shares upon conversion value (in Dollars)			$ 100,000		$ 50,000				
Loss on conversion of debt (in Dollars)			$ 175,000						
Loss on conversion debt (in Dollars)					$ 50,000				
Common stock shares issued upon warrant	180,000								
Warrant exercise price (in Dollars per share)		$ 1.25							
Shares issuable upon warrants exercised		200,000		200,000					
Warrant term		5 years							
Amendment, description	Pursuant to the amendment, the parties amended the warrant to allow for the conversion of the warrant into 180,000 common shares in exchange for Leonite’s surrender of the remaining 20,000 common shares underlying this warrant, as well as all 200,000 common shares underlying the second warrant issued to								

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	Leonite on May 11, 2020.						
Dividend yield						0.00%	
Expected volatility						128.52%	
Weighted average risk-free interest rate						0.36%	
Expected life						5 years	
Principal amount (in Dollars)						$ 448,211	
Asiens [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Common stock issued upon acquisition			415,000				
Common stock issued upon acquisition, value (in Dollars)			$ 1,037,500				
Purchase price (in Dollars per share)			$ 2.50				
Shares distributed to stockholders		415,000					
Common stock outstanding, percentage		95.00%					
Distribution shares received		394,112					
Noncontrolling Interest [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Common stock shares upon conversion value (in Dollars)							
Fair market value of services (in Dollars)							
Noncontrolling Interest [Member] | 1847 Neese [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Acquisition interest acquired						55.00%	
Noncontrolling interest, ownership percentage				45.00%	45.00%	45.00%	
Net loss attributable to non-controlling interests (in Dollars)						$ 545,610	$ 514,019
Noncontrolling Interest [Member] | 1847 Goedeker [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Acquisition interest acquired						95.00%	
Noncontrolling Interest [Member] | 1847 Asien [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Acquisition interest acquired						92.50%	
Noncontrolling interest, ownership percentage				5.00%	5.00%	5.00%	
Net loss attributable to non-controlling interests (in Dollars)					$ 18,479		
Noncontrolling Interest [Member] | 1847 Cabinet [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Noncontrolling interest, ownership percentage				7.50%	7.50%	7.50%	
Net loss attributable to non-controlling interests (in Dollars)				$ 28,538			
Service Providers [Member]							
Shareholders' Equity (Deficit) (Details) [Line Items]							
Common stock issued upon services						50,000	
Fair market value of services (in Dollars)						$ 87,550	
Goedeker [Member]							

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Shareholders' Equity (Deficit) (Details) [Line Items]			
Loan and security agreement, description			Goedeker, as borrower, and Holdco entered into a loan and security agreement with SBCC for a term loan in the principal amount of $1,500,000, pursuant to which Goedeker issued to SBCC a term note in the principal amount of up to $1,500,000 and a ten-year warrant to purchase shares of the most senior capital stock of Goedeker equal to 5.0% of the outstanding equity securities of Goedeker on a fully-diluted basis for an aggregate price equal to $100. At December 31, 2019 the warrants were valued at $122,344. On August 4, 2020, SBCC converted the warrant into 250,000 shares of Goedeker's common stock
Service Provider [Member]			
Shareholders' Equity (Deficit) (Details) [Line Items]			
Common stock issued upon services	100,000		
Fair market value of services (in Dollars)	$ 245,000		
Director [Member] | Options [Member]			
Shareholders' Equity (Deficit) (Details) [Line Items]			
Granted options to directors		60,000	
Exercise price per share (in Dollars per share)		$ 2.50	
Director One [Member] | Options [Member]			

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Shareholders' Equity (Deficit) (Details) [Line Items]						
Granted options to directors	30,000					
Exercise price per share (in Dollars per share)	$ 2.50					
Date of grant and terminate, terms	The options vested immediately on the date of grant and terminate on May 11, 2025.					
Series A Preferred Stock [Member]						
Shareholders' Equity (Deficit) (Details) [Line Items]						
Dividend rate, Percentage					14.00%	
Sale of stock, shares				2,189,835		
Sale of stock price (in Dollars per share)				$ 1.90		$ 3,000
Aggregate gross proceeds (in Dollars)				$ 4,160,654		
Warrant term					3 years	
Dividend yield					0.00%	
Weighted average risk-free interest rate					0.16%	
Expected life					3 years	
Principal amount (in Dollars)					$ 2,209,566	
Series A Preferred Stock [Member] | Minimum [Member]						
Shareholders' Equity (Deficit) (Details) [Line Items]						
Expected volatility					62.52%	
Estimated fair value (in Dollars per share)		$ 2.60	$ 2.60		$ 2.60	
Series A Preferred Stock [Member] | Maximum [Member]						
Shareholders' Equity (Deficit) (Details) [Line Items]						
Expected volatility					63.25%	
Estimated fair value (in Dollars per share)		$ 5.25	$ 5.25		$ 5.25	

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Shareholders’ Equity (Deficit) (Details) - Schedule of option activity	12 Months Ended Dec. 31, 2020 $ / shares shares
Schedule of option activity [Abstract]	
Number of Options, Outstanding	
Weighted Average Exercise Price, Outstanding (in Dollars per share) | $ / shares	
Weighted Average Contractual Term in Years, Outstanding	
Number of Options, Granted	90,000
Weighted Average Exercise Price, Granted (in Dollars per share) | $ / shares	$ 2.50
Weighted Average Contractual Term in Years, Granted	5 years
Number of Options, Exercised	77,500
Weighted Average Exercise Price, Exercised (in Dollars per share) | $ / shares	$ 2.50
Weighted Average Contractual Term in Years, Exercised	
Number of Options, Forfeited	
Weighted Average Exercise Price, Forfeited	
Weighted Average Contractual Term in Years, Forfeited	
Number of Options, Cancelled	(12,500)
Weighted Average Exercise Price, Cancelled (in Dollars per share) | $ / shares	$ 2.50
Weighted Average Contractual Term in Years, Cancelled	
Number of Options, Expired	
Weighted Average Exercise Price, Expired (in Dollars per share) | $ / shares	
Weighted Average Contractual Term in Years, Expired	
Number of Options, Outstanding	
Weighted Average Exercise Price, Outstanding (in Dollars per share) | $ / shares	
Weighted Average Contractual Term in Years, Outstanding	
Number of Options, Exercisable	
Weighted Average Exercise Price, Exercisable (in Dollars per share) | $ / shares	
Weighted Average Contractual Term in Years, Exercisable	

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Shareholders’ Equity (Deficit) (Details) - Schedule of warrant activity - Warrant [Member] - USD ($)		12 Months Ended	
	Jan. 01, 2019	Dec. 31, 2020	Dec. 31, 2019
Class of Warrant or Right [Line Items]			
Number of Common Stock Warrants, Outstanding		2,632,278	200,000
Weighted average exercise price, Outstanding		$ 2.50	$ 1.25
Weighted average life (years), Outstanding		2 years 277 days	4 years 94 days
Number of Common Stock Warrants, Granted		2,882,278	200,000
Weighted average exercise price, Granted		$ 2.39	$ 1.25
Weighted average life (years), Granted		3 years 73 days	5 years
Number of Common Stock Warrants, Exercised		(180,000)	
Weighted average exercise price, Exercised		$ 1.25	
Weighted average life (years), Exercised			
Number of Common Stock Warrants, Canceled		(230,000)	
Weighted average exercise price, Canceled		$ 1.25	
Weighted average life (years), Canceled			
Intrinsic value of Warrants, Outstanding			
Number of Common Stock Warrants, Exercisable		2,632,278	
Weighted average exercise price, Exercisable		$ 2.50	
Weighted average life (years), Exercisable		2 years 277 days	
Intrinsic value of Warrants, Exercisable			

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Income Taxes (Details) - USD ($)	12 Months Ended Dec. 31, 2020	Dec. 31, 2019
Income Tax Disclosure [Abstract]		
net operating loss carry forwards	$ 349,000	$ 2,297,000
Cumulative tax effect description	The cumulative tax effect at the expected rate of 26.3% and 26.3% of significant items	
Net cumulative current deferred tax asset	$ 324,000	
Net cumulative long-term deferred tax liability	324,000	
Accrued interest and penalties	$ 0	$ 0

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Income Taxes (Details) - Schedule of components for the provision of income taxes - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Schedule of components for the provision of income taxes [Abstract]		
Current Federal and State	$ (102,200)	$ 16,500
Deferred Federal and State	368,600	(1,218,900)
Total (benefit) provision for income taxes	$ 266,400	$ (1,202,400)

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Income Taxes (Details) - Schedule of reconciliation of the statutory US Federal income tax rate to the Company’s effective income tax rate	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Schedule of reconciliation of the statutory US Federal income tax rate to the Company’s effective income tax rate [Abstract]		
Federal tax	21.00%	21.00%
State tax	4.50%	5.50%
Discontinued operations	(4.80%)	0.00%
Permanent items	(1.60%)	(0.20%)
Valuation Allowance	(21.70%)	0.00%
Other	0.80%	0.00%
Effective income tax rate	(1.90%)	26.30%

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Income Taxes (Details) - Schedule of major components of deferred tax assets and liabilities - USD ($)	Dec. 31, 2020	Dec. 31, 2019
Deferred tax assets		
Receivables	$ 4,000	$ 8,000
Related party accruals	204,000	156,000
Inventory obsolescence	53,000	115,000
Sales return reserve	48,000	51,000
Business interest limitation	185,000	343,000
Lease liability	241,000	
Other	55,000	8,000
Loss carryforward	174,000	624,000
Valuation Allowance	(364,000)	
Total deferred tax assets	600,000	1,305,000
Deferred tax liabilities		
Fixed assets	(359,000)	(652,000)
Intangibles	(241,000)	(18,000)
Total deferred tax liabilities	(600,000)	(670,000)
Total net deferred income tax assets (liabilities)		$ 635,000

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Income Taxes (Details) - Schedule of prepaid and deferred tax assets and liabilities - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Schedule of prepaid and deferred tax assets and liabilities [Abstract]		
Prepaid income taxes (accrued tax liability)	$ 39,000	$ (24,000)
Deferred tax asset (liability)		635,000
Income tax (benefit)/expense	$ 267,000	$ (1,202,000)

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Supplemental Disclosures of Cash Flow Information (Details) - Schedule of supplemental disclosures of cash flow information - USD ($)	12 Months Ended	
	Dec. 31, 2020	Dec. 31, 2019
Schedule of supplemental disclosures of cash flow information [Abstract]		
Interest paid	$ 415,451	$ 413,894
Income tax paid		
Current assets	2,255,479	
Property and equipment	357,789	
Intangibles	4,030,000	
Goodwill	5,989,818	
Assumed liabilities	(3,575,100)	
Cash acquired in acquisitions	1,631,285	
Due to seller (cash paid to seller day after closing)	4,622,792	
Line of credit	586,097	
Debt discount on line of credit	(17,500)	
Issuance of common shares on promissory note		
Line of credit, net	568,597	
Convertible Promissory Note	1,353,979	
Common Shares	1,115	
Deemed Dividend related to issuance of Preferred stock	3,051,478	
1847 Goedeker Spin-Off Dividend	283,257	
Distribution – Allocation shares	5,985,000	
Distribution receivable - Allocation shares	2,000,000	
Additional Paid-in Capital – common shares and warrants issued	4,711,385	430,173
Operating lease, ROU assets and liabilities	$ 373,916	

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Distribution (Details) - USD ($)	1 Months Ended	3 Months Ended	12 Months Ended	
	Oct. 23, 2020	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
Distribution (Details) [Line Items]				
Original equity interest rate			100.00%	
Receive profit rate		20.00%	20.00%	
Distribution allocation shares (in Shares)		664,993		
Fair value amount		$ 5,985,000		
Determined number of shares (in Shares)		443,331	443,331	
Determined number of shares fair value		$ 3,990,000	$ 3,990,000	
		5,985,000	$ 5,985,000	
Distribution returnable amount		$ 1,995,000		
Distribution of Goedeker’s [Member]				
Distribution (Details) [Line Items]				
Additional consideration description	the Company completed the distribution of Goedeker’s stock then held by it. The common shareholders of the Company received an aggregate of 2,660,007 shares of the common stock of Goedeker, which were distributed on a pro rata basis at a ratio of 0.710467618568632 shares of Goedeker’s common stock for each common share of the Company held on the record date, and the Manager, as the sole holder of the allocation shares, received 664,993 shares of the common stock of Goedeker, which it then distributed to its members.			

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Subsequent Events (Details) - USD ($)	1 Months Ended						9 Months Ended	12 Months Ended			
	Mar. 29, 2022	Mar. 30, 2021	Mar. 29, 2021	Mar. 26, 2021	Oct. 26, 2020	Oct. 26, 2020	Sep. 30, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 07, 2020	Sep. 02, 2020
Subsequent Events (Details) [Line Items]											
Stock purchase agreement, description								1847 Wolo agreed to acquire all of the issued and outstanding capital stock of Wolo for an aggregate purchase price of $7,400,000, subject to adjustment as described below. The purchase price consists of (i) $6,550,000 in cash and (ii) a 6% secured promissory note in the aggregate principal amount of $850,000.			
Exceeds an aggregate amount								$ 10,000		$ 56,900	
Losses								100,000			
Certain non-fundamental representations and warranties								1,825,000			
Management fee								$ 0	$ 0		
Debt instruments, description								(i) beginning on May 1, 2021 and ending on March 1, 2022, eleven (11) equal monthly principal payments of $43,750 each, (ii) beginning on April 1, 2022 and ending			

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on March 1, 2024, twenty-four (24) equal monthly payments of $59,167 each and (iii) on April 1, 2024, a final principal payment in the amount of $1,648,742. In addition, beginning on June 1, 2022 and on each anniversary thereof thereafter until such time as the term loan is repaid in full, 1847 Wolo and Wolo must pay an additional principal payment equal to 50% of the excess cash flow (as defined in the credit agreement), if any. If Sterling has not received the full amount of any monthly payment on or before the date it is due (including as a result of funds not available to be automatically debited on the date on which any such payment is due), 1847 Wolo and

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							Wolo must pay a late fee in an amount equal to six percent (6%)		
Sold an aggregate of units (in Shares)				442,443	442,443	2,189,835			
Purchase price unit				$ 840,640		$ 4,160,684			
Price per share (in Dollars per share)			$ 2.00			$ 1.90			
Exercise price per share (in Dollars per share)			$ 2.50						$ 1.25
Fixed price per share (in Dollars per share)							$ 1.57		
Dividend payment per share (in Dollars per share)							1.57		
Conversion price per share (in Dollars per share)							$ 1.75		
Common stock, shares issued (in Shares)							4,444,013	3,165,625	
Subsequent Event [Member]									
Subsequent Events (Details) [Line Items]									
Management fee	$ 75,000								
Management fee is equal to greater, percentage	2.00%								
Sold an aggregate of units (in Shares)			1,818,182						
Purchase price unit			$ 1.65						
Aggregate of purchase price			3,000,000						
Offering price amount			3,000,000						
Subscription agreement, description		the Company entered into a subscription agreement with 1847 Wolo, pursuant to which 1847 Wolo issued to the Company 1,000 shares of its series A preferred stock, for gross proceeds to 1847 Wolo of $3,000,000. The series A preferred stock has no voting							

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rights and is not convertible into the common stock or any other securities of 1847 Wolo. Dividends at the rate per annum of 16.0% of the stated value of $3,000 per share shall accrue on the series A preferred stock (subject to adjustment) and shall accrue from day to day, whether or not declared, and shall be cumulative. Accruing dividends are payable quarterly in arrears on each of the following dividend payment dates: January 15, April 15, July 15 and October 15 beginning on April 15, 2021. Upon any liquidation, dissolution or winding up of 1847 Wolo, before any payment shall be made to the holders of 1847

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	Wolo's common stock, the series A preferred stock then outstanding shall be entitled to be paid out of the funds and assets available for distribution to 1847 Wolo's stockholders an amount per share equal to the stated value of $3,000 per share, plus any accrued, but unpaid dividends.		
Paycheck Protection Program [Member] | Subsequent Event [Member]			
Subsequent Events (Details) [Line Items]			
Loan amount	$ 380,385		
6% Secured Promissory Note [Member]			
Subsequent Events (Details) [Line Items]			
Stock purchase agreement, description			As noted above, a portion of the purchase price for Wolo was paid by the issuance of a 6% secured promissory note in the principal amount of $850,000 by 1847 Wolo to the Wolo Sellers. Interest on the outstanding principal amount will

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		be payable quarterly at the rate of six percent (6%) per annum. The note matures on the 39-month anniversary following the closing of the acquisition, at which time the outstanding principal amount of the note, along with all accrued, but unpaid interest, shall be paid in one lump sum.
Credit Agreement and Notes [Member]		
Subsequent Events (Details) [Line Items]		
Credit agreement with sterling national bank, description	1847 Wolo and Wolo entered into a credit Agreement with Sterling National Bank ("Sterling") for (i) revolving loans in an aggregate principal amount that will not exceed the lesser of the borrowing base (as defined below) or $1,000,000 and (ii) a term loan in the principal amount of $3,550,000.	

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	The revolving loan is evidenced by a revolving credit note and the term loan is evidenced by a $3,550,000 term note. The “borrowing base” means an amount equal to the sum of the following: (A) 80% of eligible accounts (as defined in the credit agreement) PLUS (B) the lesser of: (1) 50% percent of eligible inventory (as defined in the credit agreement) or (2) $400,000.00, MINUS (C) such reserves as Sterling may establish from time to time in its sole discretion.		
Series A Preferred Stock [Member]			
Subsequent Events (Details) [Line Items]			
Sold an aggregate of units (in Shares)			2,189,835
Purchase price unit			$ 4,160,654
Price per share (in Dollars per share)		$ 3,000	$ 1.90
Preferred shares (in Shares)		1,000	
Series A Senior Convertible Preferred Stock [Member]			

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Subsequent Events (Details) [Line Items]		
Preferred stock, shares designated (in Shares)		4,450,460
Common stock, shares issued (in Shares)		398,838
Forecast [Member]		
Subsequent Events (Details) [Line Items]		
Interest rate	3.75%	
Prime rate plus	3.00%	
debt Interest rate	5.00%	
Foregoing rate plus	5.00%	

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