

REFINITIV

# DELTA REPORT

## 10-K

ROC ENERGY ACQUISITION CO

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	6273
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 CHANGES	12
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 DELETIONS	3096
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 ADDITIONS	3165
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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

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

For the fiscal year ended December 31, 2022

or 2023

OR

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

Commission File Number 001-41103

TRANSITION REPORT

PURSUANT TO SECTION 13

OR 15(D) OF THE

SECURITIES EXCHANGE

ACT OF 1934

For the transition period from to **DRILLING TOOLS INTERNATIONAL  
CORPORATION**

Commission file number: 001-41103

ROC ENERGY ACQUISITION CORP.

(Exact name of registrant Registrant as specified in its charter) Charter)

Delaware

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(State or other jurisdiction of  
incorporation or organization)

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16400 Dallas Parkway		
Dallas, Texas		75248
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	7	
3701 Briarpark Drive	0	
Suite 150	4	
Houston, Texas	2	
<hr/>		
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: (972) 392-6180 742-8500

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

	Trading	
Title of each class	Symbol(s)	Name of each exchange on which registered

Units, each consisting of one share of Common Stock, and one Right to receive one-tenth of one par value \$0.0001 per share of Common Stock	ROCAUDTI	The Nasdaq Stock Market LLC
Common Stock, \$0.0001 par value per share	ROC	The Nasdaq Stock Market LLC
Rights, each exchangeable into one-tenth of one share of Common Stock	ROCAR	The Nasdaq Stock Market LLC

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

Large accelerated filer ☐ Accelerated filer ☐



# mailing report

☒☒☒☒☐

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☐ NO ☒

on June 30, 2022, as reported on the Nasdaq Global Market was \$206,172,000.

As of March 20, 2023 there were 26,851,000 shares of common stock par value \$0.0001 per share, on June 30, 2023, was \$128 million.

The number of shares of Registrant's Common Stock outstanding as of March 28, 2024 was 29,768,568.

## DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the **registrant issued** Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and **outstanding**. (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980)

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**PART I**

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**CAUTIONARY NOTE STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report (as defined below), on Form 10-K contains and incorporates by reference estimates, projections, statements relating to our business plans, objectives, and expected operating results that are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including without limitation, statements under “Item 7. Management’s the following sections: “Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations, Operations.” includes forward-looking statements within the meaning of Section 27A of the Securities Act (as defined below) and Section 21E of the Exchange Act (as defined below). These forward-looking statements can be generally are identified by the use of forward-looking terminology, including the words “believes,” “estimates,” “anticipates,” “expects,” “intends,” “plans,” “may,” “will,” “believe,” “potential,” “anticipate,” “projects,” “expect,” “predicts,” “plan,” “continue,” “predict,” “estimate,” “will be,” or “should,” or, in each case, their negative or other variations or comparable terminology. There can be no assurance that actual results will not materially differ from expectations. Such statements include, but are not limited to,

any statements relating to our ability to consummate any acquisition or other business combination similar words and any other statements that are not statements of current or historical facts. These phrases. Forward-looking statements are based on management's current expectations, but actual results may differ materially due to various factors, including, but not limited to:

- our ability to complete our initial business combination (as defined below), including the Drilling Tools Business Combination (as defined below);
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors following our initial business combination;
- our officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business or in approving our initial business combination, as a result of which they would then receive expense reimbursements;
- our potential ability to obtain additional financing to complete our initial business combination;
- our pool of prospective target businesses;
- the ability of our officers and directors to generate a number of potential acquisition opportunities;
- our public securities' potential liquidity and trading;
- the lack of a market for our securities;
- the use of proceeds not held in the trust account (as defined below) or available to us from interest income on the trust account balance; or
- our financial performance.

The forward-looking statements contained in this Report are based on our current expectations and beliefs concerning future developments assumptions that are subject to risks and their potential effects on us. Future developments affecting us may not be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Should one or more of these differ materially. We describe risks or and uncertainties materialize, or should any of our assumptions prove incorrect, that could cause actual results may vary and events to differ materially in material respects from those projected in these forward-looking statements. "Risk Factors" (Part I, Item 1A of this Form 10-K), "Management's Discussion and Analysis of Financial Condition and Results of Operation" (Part II, Item 7), and "Quantitative and Qualitative Disclosures about Market Risk" (Part II, Item 7A). We undertake no obligation to update or publicly revise any forward-looking statements, whether as a result because of new information, future events, or otherwise, except to the extent required by applicable law.

Important factors that could cause actual results to differ materially from those contained in the forward-looking statements include, but are not limited to:

- the demand for our products and services, which is influenced by the general level activity in the oil and gas industry;
- our ability to retain our customers, particularly those that contribute to a large portion of our revenue;
- our ability to remain the sole North American distributor of the Drill-N-Ream;

- our ability to employ and retain a sufficient number of skilled and qualified workers, including our key personnel;
- the impact of our status as an emerging growth company and smaller reporting company;
- our ability to source tools at reasonable cost;
- our customers' ability to obtain required permits or authorizations from applicable governmental agencies and other third parties;
- our ability to market our services in a competitive industry;
- our ability to execute, integrate and realize the benefits of acquisitions, and manage the resulting growth of our business;
- our ability to obtain new technology that may become prevalent in the OFS industry;
- potential liability for claims arising from damage or harm caused by the operation of our tools, or otherwise arising from the dangerous activities that are inherent in the oil and gas industry;
- the impact of the COVID-19 pandemic;
- application of oilfield anti-indemnity limitations enacted by certain states;
- our ability to obtain additional capital;
- the impact of restrictive covenants in the Credit Facility Agreement;
- the impact of indebtedness incurred to execute our long-term growth strategy;
- potential political, regulatory, economic and social disruptions in the countries in which we conduct business, including changes in tax laws or tax rates;
- our dependence on our IT systems, in particular customer order management portal and support system ("COMPASS"), for the efficient operation of our business;
- the impact of a change in relevant accounting principles, enforcement of existing or new regulations, and changes in policies, rules, regulations, and interpretations of accounting and financial reporting requirements;
- the impact of adverse and unusual weather conditions on our operations;

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- our ability to comply with applicable laws, regulations and rules, including those related to the environment, greenhouse gases and climate change;
  - our ability to protect our intellectual property rights or trade secrets;
  - our ability to maintain an effective system of disclosure controls and internal control over financial reporting;
  - the potential for volatility in the market price of the Common Stock;
  - the fact that the price per share of Common Stock paid by certain Selling Stockholders is less than the price of such shares as of the date of this prospectus;
  - the impact of increased legal, accounting, administrative and other costs incurred as a public company, including the impact of possible shareholder litigation;
  - the potential for issuance of additional shares of Common Stock or other equity securities, including sales of shares of Common Stock that can be required under applicable offered and sold pursuant to this prospectus;

- our ability to maintain the listing of the Common Stock on Nasdaq;
- the impact of industry or securities laws.

Unless otherwise stated analysts changing their recommendation, or failing to cover, the Common Stock;

- the impact of our status as a “controlled company;” and
- other risks and uncertainties described in this Report, or prospectus, including those under the section entitled “Risk Factors.”

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## Item 1. Business.

Unless the context otherwise requires, all references to:

- “amended and restated certificate of incorporation” are to our certificate of incorporation in effect upon the completion of our initial public offering (as defined below);
- “ASC” are to the FASB (as defined below) Accounting Standards Codification;
- “ASU” are to the FASB Accounting Standards Update;

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[Table in this section to the “Company,” “DTIC,” “we,” “us,” or “our” refer to the business of Contents](#)

- “board of directors,” “board” or “directors” are to the board of directors of the Company (as defined below);
- “business combination” are to a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses;
- “Combination Period” are to the 12-month period from the closing of the initial public offering to December 6, 2022, that the Company has to consummate an initial business combination, which may be extended for up to two three-month extension periods and which has been extended to June 6, 2023 as of the date of this Report;
- “common stock” are to our shares of common stock, par value \$0.0001 per share;
- “Company,” “our Company,” “we” or “us” are to ROC Energy Acquisition Corp., a Delaware corporation;

- “Continental” are to Continental Stock Transfer & Trust Company, trustee of our trust account;
- “DGCL” are to the Delaware General Corporation Law;
- “Drilling Tools” are to Drilling Tools International Holdings, Inc., a Delaware corporation;
- “Drilling Tools Business Combination” are to the Merger and the other transactions contemplated by the Drilling Tools Merger Agreement (as defined below);
- “Drilling Tools Merger Agreement” are to the Agreement and Plan of Merger dated February 13, 2023 by and between the Company, Merger Sub (as defined below) and Drilling Tools;
- “Drilling Tools Registration Statement” are to the Registration Statement on Form S-4 filed with the SEC (as defined below) on February 14, 2023, together with all amendments thereto;
- “DWAC System” are to the Depository Trust Company’s Deposit/Withdrawal At Custodian System;
- “EarlyBirdCapital” or the “representative” refers to EarlyBirdCapital, Inc., the representative of the underwriters;
- “Exchange Act” are to the Securities Exchange Act of 1934, as amended;
- “Extension Note” are to (a) the promissory note dated December 6, 2022, in the principal amount of \$2,070,000 that we issued to an affiliate of our sponsor (as defined below) in connection with the extension of the Combination Period from December 6, 2022 to March 6, 2023 and (b) the promissory note dated March 2, 2022, in the principal amount of \$2,070,000 that we issued to an affiliate of our sponsor (as defined below) in connection with the extension of the Combination Period from March 6, 2022 to June 6, 2023;
- “FASB” are to the Financial Accounting Standards Board;
- “Fifth Partners” are to Fifth Partners, LLC, an affiliate of our sponsor and certain of our directors;
- “FINRA” are to the Financial Industry Regulatory Authority;
- “founder shares” are to the 5,175,000 shares of common stock held or controlled by our insiders (as defined below) prior to our initial public offering;
- “FP SPAC 2” are to FP SPAC 2, a Delaware limited liability company that is an affiliate of our sponsor;
- “IFRS” are to the International Financial Reporting Standards, as issued by the International Accounting Standards Board;

[Table Drilling Tools International Corporation and its consolidated subsidiaries following the consummation of Contents](#)

- “initial public offering” or “IPO” are to the initial public offering that was consummated by the Company on December 6, 2021;
- “initial stockholders” are to our sponsor and other holders of our founder shares the Merger (defined below), and to Drilling Tools International Holdings, Inc. and its consolidated subsidiaries prior to our initial public offering, if any, but excludes the holders of the representative founder shares;
- “insiders” refer to our officers, directors, sponsor and any holder of our founder shares;
- “Investment Company Act” are to the Investment Company Act of 1940, as amended;
- “IPO Registration Statement” are to the Registration Statement on Form S-1 initially filed with the SEC (as defined below) on November 19, 2021, as amended, and declared effective on December 1, 2021 (File No. 333-260891) and the Registration Statement on Form S-1 initially filed with the SEC December 1, 2021 (File No. 333-261456);
- “JOBS Act” are to the Jumpstart Our Business Startups Act of 2012;
- “Merger” are to the merger of Merger Sub with and into Drilling Tools, with Drilling Tools surviving the merger as a wholly-owned subsidiary of the Company;
- “Merger Sub” are to ROC Merger Sub, Inc., a Delaware corporation and a direct, wholly-owned subsidiary of the Company;
- “Nasdaq” are to the Nasdaq Global Market;
- “PCAOB” are to the Public Company Accounting Oversight Board (United States);
- “private placement” are to the private placement of units (as defined below) that occurred simultaneously with the closing of our initial public offering;
- “private shares” are to the shares of common stock included within the private units purchased by our sponsor in the private placement and any additional shares of common stock included within private units issued upon conversion of Working Capital Loans (as defined below);
- “private units” are to the units purchased by our sponsor in the private placement and any additional units issued upon conversion of Working Capital Loans, each private unit consisting of one share of common stock and one right to receive one-tenth of a share of common stock;
- “private rights” are to the rights included within the private units purchased by our sponsor in the private placement and any rights included within private units issued upon conversion of Working Capital Loans;
- “public rights” are to the rights sold as part of the units in our initial public offering;
- “public shares” are to the shares of common stock sold as part of the units in our initial public offering (whether they were purchased in our initial public offering or thereafter in the open market);
- “public stockholders” are to the holders of our public shares, including our insiders to the extent our insiders purchase public shares, provided that each insider’s status as a “public stockholder” will only exist with respect to such public shares;
- “public units” are to the units sold in our initial public offering, which consist of one public share and one right to receive one-tenth (1/10) of a share of common stock upon the consummation of an initial business combination;
- “Report” are to this Annual Report on Form 10-K for the fiscal year ended December 31, 2022;

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- “representative founder shares” are to the 180,000 shares of common stock that we issued to EarlyBirdCapital and/or its designees (for the avoidance of doubt, such shares of common stock are not “public shares”);
- “rights” are to the public rights and the private rights;
- “Sarbanes-Oxley Act” are to the Sarbanes-Oxley Act of 2002;
- “SEC” are to the U.S. Securities and Exchange Commission;
- “Securities Act” are to the Securities Act of 1933, as amended;
- “SPACs” are to special purpose acquisition companies;
- “sponsor” are to ROC Energy Holdings, LLC, a Delaware limited liability company;
- “trust account” are to the U.S.-based trust account in which an amount of \$209,070,000 from the net proceeds of the sale of the units in the initial public offering and the private units was placed following the closing of the initial public offering;
- “units” are to our public units and private units;
- “U.S. GAAP” are to the accounting principles generally accepted in the United States of America;
- “Withum” are to WithumSmith+Brown PC, our independent registered public accounting firm; and
- “Working Capital Loans” are to funds that, in order to provide working capital or finance transaction costs in connection with a business combination, the initial stockholders or an affiliate of the initial stockholders or certain of the Company’s directors and officers may, but are not obligated to, loan the Company.

**Table** Drilling Tools International Corporation provides oilfield equipment and services to oil and natural gas sectors in North America, Europe, and the Middle East. We offer downhole tool rentals, machining, and inspection services to support the global drilling and wellbore construction industry. Our primary products are bottom hole assembly components such as stabilizers, subs, non-magnetic and steel drill collars, hole openers, roller reamers, as well as drill pipe and drill pipe accessories. In addition, we provide proprietary technology in our wellbore optimization business supplying the patented Drill-N-Ream (trademark) wellbore conditioning tool, and the patented RotoSteer (trademark), rotational steering tool for use in the extended reach horizontal drilling industry. We also offer a wide variety of **Contents** ancillary equipment and handling tools to support our rental platform. Those tools include float valves, ring gauges, tool baskets, lift bail, lift subs, mud magnets, elevators, bracket and bail assemblies, slips, tongs, stabbing guides and safety clamps. We also offer a limited product line of blowout preventers and pressure control accessory equipment. We were founded in 1984 and we are headquartered in Houston, Texas. We operate from 16 locations in North America and maintain 4 international stocking points in Europe and the Middle East.

## PART I

### Item 1. Business.

#### Overview

We are a Delaware corporation structured as a blank check company formed for the purpose of effecting our initial business combination.

While we may pursue an initial business combination target in any business, industry or geographical location, we have focused our acquisition efforts on the non-operated, upstream Drilling and producing oil and gas sector in is a complex endeavor that requires tools of various shapes and sizes. Many of our customers rent these tools, as opposed to owning them, because of the U.S. many factors that affect which tools are needed for a specific task. Such factors include different formations, drilling methodologies, drilling engineer preferences, drilling depth and hole size. We believe that the we are successful because we meet our customers' wide demands by operating from multiple locations with over 65,000 tools in our fleet.

We are led by an accomplished management team that has significant opportunity set, lack of competition and maturity of experience in the production base, combined with low-risk development, has generated a compelling opportunity to create a dividend-paying oil and gas company industry and has worked together for much of the last decade. Since 2012, we have grown the business and strengthened our standing in the industry. Specifically, we have:

- Grown our revenue by 334%, from \$35 million in 2012 to \$152 million in 2023;
- Substantially increased our market share within North American land drilling, in which we are the market leader, based on the percentage of active projects to which we supply tools, and regularly have active tool rentals on more than 50% of working locations;
- Expanded our footprint from three facilities to 16 locations in North America, allowing us to serve all major oil and gas producing basins in North America land and offshore;
- Established four additional locations with international partners in Europe and the Middle East;
- Secured distribution rights for Drill-N-Ream, a patented specialty reaming tool that saves our customers time and money;
- Become the market leader in Gulf of Mexico ("GOM") deepwater drilling operation tool rentals, based on the



percentage of active projects to which we supply tools, growing from serving only a single GOM project in 2012;

- Upgraded our customer base from one comprised primarily of independent directional service providers to one comprised of major diversified oilfield service companies ("OSCs") and global E&P operators;
- Built a large sales and marketing organization focused on consolidating team selling; and
- Secured distribution rights for emerging technologies that fulfill the asset class, growing demand for longer horizontal lateral drilling.

## Merger

### Initial Public Offering

On December 6, 2021, June 20, 2023 (the "Closing Date"), we consummated our initial public offering a merger transaction between Drilling Tools International Holdings, Inc. ("DTIH"), ROC Energy Acquisition Corp ("ROC"), and ROC Merger Sub, Inc., a directly, wholly owned subsidiary of 18,000,000 units. Each unit consists of one share of common stock and one public right. The units were sold at a price of \$10.00 per unit, generating gross proceeds ROC ("Merger Sub"), was completed (the "Merger") pursuant to the Company of \$180,000,000.

Simultaneously initial merger agreement dated February 13, 2023 and subsequent amendment to the merger agreement dated June 5, 2023 collectively, (the "Merger Agreement"). In connection with the closing of the initial public offering, we completed Merger, ROC changed its name to Drilling Tools International Corporation. The common stock of DTIC ("Common Stock" or the private sale of an aggregate of 715,000 units to our sponsor at a purchase price of \$10.000 per private unit, generating gross proceeds of \$7,150,000.

On December 9, 2021, "DTIC Common Stock") commenced trading on the underwriters purchased an additional 2,700,000 units pursuant to Nasdaq Stock Market LLC ("Nasdaq") under the full exercise symbol "DTI" on June 21, 2023. See Note 3 - Merger for further discussion of the over-allotment option. The units were sold at an offering price Merger.

## Operating Activities

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Our operating activities are divided into four divisions:

- **Directional Tool Rentals ("DTR")** — Our DTR division is a leading provider of \$10.00 per over-allotment unit, generating aggregate additional gross proceeds downhole tools to directional drilling and upstream energy customers in both land and offshore markets, based on the percentage of \$27,000,000. Simultaneously with the consummation of the over-allotment option, active rigs to which we completed the private sale of an additional 81,000 private units to the sponsor, generating gross proceeds of \$810,000.

A total of \$209,070,000, comprised of \$201,110,000 of the proceeds from the initial public offering and \$7,960,000 of the proceeds of the sale of the private units was placed supply tools in the trust account maintained by Continental, acting as trustee.

It is the job geographies in which we are active. DTR maintains a fleet of over 25,000 tools and accounted for approximately 61% of our sponsor 2023 revenue. DTR rents drill collars, stabilizers, sub-assemblies and management team to complete our initial business combination. Our management team is led by Joseph Drysdale, our Chairman of the Board, and Daniel Kimes, our Chief Executive Officer. We must complete our initial business combination by June 6, 2022, 18 months from the closing of our initial public offering. If our initial business combination is not consummated by the end of this Business Combination Period, then our existence will terminate, and we will distribute all amounts in the trust account.

### **Drilling Tools Business Combination**

On February 13, 2023, we entered into the Drilling Tools Merger Agreement with Drilling Tools and Merger Sub. Capitalized terms not defined but otherwise used in the following description have the meanings ascribed to them in the Drilling Tools Merger Agreement.

Drilling Tools is a Houston based oilfield services company that rents downhole drilling other tools primarily used in horizontal and directional drilling of oil and natural gas wells. gas. We charge our customers a day rate, monthly rate or per-well rate, and customers are required to compensate us for lost or damaged tools. DTR operates ten full-service locations and additional stocking points in key locations. DTR is our core division and operates in all markets which we serve.

- **Premium Tools Division ("PTD")** — PTD rents drill pipe, drill collars, kellys, pup joints, work strings, blowout preventers and production tubing to drilling operators across the United States. PTD accounted for approximately 19% of our 2023 revenue. PTD's fleet of drill pipe includes approximately 1,000,000 feet of drill pipe and tubing in diameters ranging from 3.5-inch to 5.5-inch with premium connection licenses from qualified suppliers. We typically rent drill pipe under long term contracts under which the customer is responsible for tools lost or damaged tools while in its possession. This division operates two full-service locations and one stocking point.
- **Wellbore Optimization Tools ("WOT")** — WOT distributes Drill-N-Ream, the leading wellbore conditioning tool, based on the percentage of active rigs that are candidates for wellbore conditioning where Drill-N-Ream is deployed and used in horizontal and directional drilling. WOT accounted for approximately 17% of our 2023 revenue. Drill-N-Ream is manufactured by Superior Drilling Tools currently operates Products Inc. ("SDPI"), which holds the applicable patent. Pursuant to a periodically reviewed pricing agreement with SDPI, we purchase Drill-N-Ream units to rent to our customers and in turn pay SDPI a royalty based on the revenue we derive from 22 locations across such rentals. We have been the sole North America, Europe American distributor of Drill-N-Ream since 2016. Drill-N-Ream conditions the wellbore during the drilling process, making it easier to back out of the hole once drilling is finished and clean the wellbore during the drilling process. This tool saves customers time and money by enabling operators to extend the length of their wellbore at a lower cost. We generally charge customers on a per foot basis and the Middle East. The Drilling Tools Registration Statement was filed with customer is typically responsible for tools that are lost or damaged while in its possession. WOT is also launching emerging products that we believe will deliver added value to our customers. A specialized group of salespeople and service personnel regularly visit drill sites to support our customers in their use of our tools.
- **Other Products & Services, including Downhole Inspection Solutions & Downhole Machining Solutions ("Other Products & Services")** — DTI's Other Products and Services division includes Downhole Inspection Solutions & Downhole Machining Solutions and primarily provides inspection and machining services to our DTR, PTD and WOT divisions and a few select customers. Other Products & Services accounted for approximately 3%

(net of eliminations) of our 2023 revenue. Other Products and Services enables us to manage the SEC on February 14, 2023.

maintenance and repair of our tools, which in turn empowers us to maximize their uptime.

## Drilling Tools Merger AgreementOur Industry

### TreatmentThe Role of Securities Rental Tool Companies in the Production of Oil and Gas

**Preferred Stock**Wellbore construction is a critical stage in the production of **Drilling Tools**. At oil and gas. Wellbore construction is comprised of drilling the **effective time** wellbore, logging the target producing formation to determine if commercial amounts of hydrocarbons exist, installing casing, cementing casing and performing completion procedures to prepare the well for production. Even after wellbore construction is complete, production products and services are needed over the well's full life cycle.

Oil and gas companies typically hire a drilling contractor with an appropriate drilling rig to begin wellbore construction. However, drilling contractors generally do not have all the necessary tools to complete the project, and instead focus their business on the rig and its main components and rarely rent tools on behalf of oil and gas operators. Instead, oil and gas companies prefer to procure the products and services involved in drilling and subsequent procedures on a temporary basis from entities operating in the oil field services ("OFS") industry. This enables them to obtain the best quality, service, and pricing value directly from the service and equipment suppliers. As a result, upon completion of the **Merger (the "Effective Time")**, well, the oil and gas operator does not hold assets that it no longer needs.

The tools provided by **virtue** rental tool companies vary from select bottom hole assembly components, drill string tools, pressure control devices and a wide variety of specialty items. Rental tool companies purchase assets and rent them to their oil and gas operator customers, who in turn use these tools to complete their respective projects. Rental tool companies typically charge daily rental fees, but fees also can be structured as hourly, footage, weekly, or monthly charges. Rental tool companies also bill customers for repair charges if tools are damaged beyond normal wear and tear. In addition, if the tools are lost in the well, or damaged beyond repair, the customer is charged a replacement fee. Rental tool companies' ability to charge such fees are particularly important in light of the **Merger**, and without any action on the part acceleration of any **Drilling Tools** stockholder, subject drilling rates, as such acceleration has led to and an increase in consideration of the terms and conditions set forth in the **Drilling Tools Merger Agreement**, each share of **Drilling Tools** preferred stock, par value \$0.01 per share ("**Drilling Tools Preferred**

Stock”) that is issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares (as defined in the Drilling Tools Merger Agreement)) will be converted into the right to receive (a) the Per Share Company Preferred Cash Consideration and (ii) the Per Share Company Preferred Stock Consideration (as such terms are defined in the Drilling Tools Merger Agreement). All shares of Drilling Tools Preferred Stock converted into such consideration will thereafter no longer be outstanding and will cease to exist, and each holder of Drilling Tools Preferred Stock will thereafter cease to have any rights with respect to such securities (including any right to accrued but unpaid dividends), except the right to receive the applicable consideration into which such shares of Drilling Tools Preferred Stock will have been converted into in the Merger.

*Common Stock of Drilling Tools.* At the Effective Time, by virtue of the Merger and without any action on the part of any Drilling Tools stockholder, subject to and in consideration of the terms and conditions set forth in the Drilling Tools Merger Agreement, each share of Drilling Tools common stock, par value \$0.01 per share (“Drilling Tools Common Stock”) that is issued and outstanding immediately prior to the Effective Time (other than Dissenting Shares) will be converted into the right to receive the applicable Per Share Company Common Stock Consideration (as defined in the Drilling Tools Merger Agreement). All shares of Drilling Tools Common Stock converted into such consideration will thereafter no longer be outstanding and will cease to exist, and each holder of Drilling Tools Common Stock will thereafter cease to have any rights with respect to such securities, except the right to receive the applicable consideration into which such shares of Drilling Tools Common Stock will have been converted into in the Merger.

*Common Stock of Merger Sub.* At the Effective Time, by virtue of the Merger and without any action on the part of any holder thereof, each share of common stock, par value \$0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time will no longer be outstanding and will be converted into and become one validly issued, fully paid and non-assessable share of common stock, par value \$0.01 per share, of the Surviving Company (as defined in the Drilling Tools Merger Agreement) and all such shares will constitute the only outstanding shares of capital stock of the Surviving Company as of immediately following the Effective Time.

*Treasury Shares.* At the Effective Time, by virtue of the Merger and without any action on the part of any holder thereof, each share of Drilling Tools Preferred Stock and Drilling Tools Common Stock held in the treasury of Drilling Tools immediately prior to the Effective Time will be cancelled and no payment or distribution will be made with respect thereto.

*Stock Options.* As of the Effective Time, each then-outstanding unexercised option (whether vested or exercisable) to purchase shares of Drilling Tools Common Stock granted under any Drilling Tools stock plan (a “Drilling Tools Option”) will be assumed by the Company and will be converted into a stock option (a “Company Option”) to acquire shares of our common stock in accordance with the Drilling Tools Merger Agreement. Each such Company Option as so assumed and converted will be for that number of shares of our common stock determined by multiplying the number of shares of our common stock subject to such Drilling Tools Option immediately prior to the Effective Time by the Per Share Company Common Stock Consideration, which product will be rounded down to the nearest whole number of shares, at a per share exercise price determined by dividing the per share exercise price of such Drilling Tools Option immediately prior to the Effective Time by the Per Share Company Common Stock Consideration, which quotient will be rounded up to the nearest whole cent. As of the Effective Time, all Drilling Tools Options will no longer be outstanding and each holder of PubCo Options will cease to have any rights with respect to such Drilling Tools Options, except as otherwise set forth damaged or lost-in-hole tools. We believe

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that this commercial arrangement has been standard practice in the Drilling Tools Merger Agreement. Following industry for over 70 years. Given the Effective Time, each Company Option will be subject to the Incentive Plan (as defined below) and to the same terms and conditions, including, without limitation, vesting conditions, as had applied to the corresponding Drilling Tools Option as of immediately prior to the Effective Time, except for such terms rendered inoperative by reason of the Drilling Tools Business Combination, subject to such adjustments as reasonably determined by the Board to be necessary or appropriate to give effect to the conversion or the Drilling Tools Business Combination.

*Dissenting Shares.* Dissenting Shares will not be converted into the right to receive, as applicable, Per Share Company Preferred Cash Consideration, Per Share Company Preferred Stock Consideration or Per Share Company Common Stock Consideration, and will instead represent the right to receive payment of the fair value of such Dissenting Shares in accordance with and to the extent provided by the DGCL. At the Effective Time, all Dissenting Shares will be cancelled, extinguished and cease to exist and the holders of Dissenting Shares will be entitled only to such rights as may be granted to them under the DGCL. If any such holder fails to perfect or otherwise waives, withdraws or loses such holder's right to appraisal under the DGCL or other applicable law, then the right of such holder to be paid the fair value of such Dissenting Shares will cease and such Dissenting Shares will be deemed to have been converted, as of the Effective Time, into the right to receive, as applicable, the Preferred Per Share Cash Consideration, the Preferred Per Share Stock Consideration or the Common Per Share Merger Consideration, in each case, upon the terms and conditions set forth in the Drilling Tools Merger Agreement.

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### ***Representations and Warranties***

The Drilling Tools Merger Agreement includes representations and warranties of each of the parties thereto that are customary for transactions of this type, including with respect to the operations of the Company, Merger Sub and Drilling Tools, including, among other things, (a) entity organization, good standing and qualification, (b) subsidiaries, (c) authorization to enter into the Drilling Tools Merger Agreement and to consummate the Drilling Tools Business Combination, (d) non-conflict with governing documents, laws and governmental orders, and certain contracts, (e) governmental consent, (f) capitalization, (g) financial statements, (h) undisclosed liabilities, (i) litigation, (j) compliance with laws, (k) intellectual property, (l) material contracts, (m) benefit plans, (n) labor matters, (o) taxes, (p) brokers' fees,

(q) insurance, (r) real property and assets, (s) environmental matters, (t) absence of changes, (u) affiliate agreements, (v) internal controls, (w) permits, (x) registration statement, (y) related party transactions, (z) international trade and anti-corruption, (aa) top customers, (ab) sexual harassment, (ac) absence of additional representations and warranties, (ad) trust account, (ae) SEC reports and Sarbanes-Oxley Act compliance, (af) business activities and absence of changes, (ag) absence of outside reliance, (ah) Nasdaq market listing compliance, (ai) title to property, and (aj) the Investment Company Act of 1940.

### **Covenants**

The Drilling Tools Merger Agreement includes customary covenants of the parties with respect to the operation of their respective businesses prior to the consummation of the Merger and efforts to satisfy conditions to the consummation of the Merger. The Drilling Tools Merger Agreement also contains additional covenants of the parties, including, among others, covenants providing for the Company and Drilling Tools to use reasonable best efforts to cause the Drilling Tools Registration Statement to be filed by the Company to register the shares of our common stock to be issued in the Drilling Tools Business Combination and the related proxy statement/prospectus (the "Proxy Statement") to comply with the rules and regulations promulgated by the SEC, to have the Drilling Tools Registration Statement declared effective under the Securities Act as promptly as practicable after such filing and to keep the Drilling Tools Registration Statement effective as long as is necessary to consummate the Drilling Tools Business Combination. The Company and Drilling Tools have also agreed to obtain all requisite approvals of their respective stockholders including, in the case of the Company, (a) approval of the Merger, (b) approval of our amended and restated certificate of incorporation, (c) approval of the issuance of our common stock in connection with the Drilling Tools Business Combination (including pursuant to the consummation of the Subscription Agreements (as defined below)), to the extent required under Nasdaq listing rules, (d) adoption of the Incentive Plan, and (e) approval of any other proposals reasonably necessary to consummate the Drilling Tools Business Combination. Additionally, the Company has agreed to include in the Proxy Statement the recommendation of its board that stockholders approve all of the proposals to be presented at the special meeting to be held for that purpose.

### **Transaction Financing**

The Drilling Tools Merger Agreement includes covenants related to the conduct by the Company of a private placement or placements to obtain subscriptions to acquire shares of our common stock for cash (the "Equity Financing") in connection with the closing of the Drilling Tools Business Combination (the "Closing"). The Drilling Tools Merger Agreement requires that the aggregate cash available to us at the Closing from the trust account and the Equity Financing (after giving effect to the redemption of any shares of our common stock but prior to paying expenses of the Company and Drilling Tools, as set forth in the Drilling Tools Merger Agreement) will equal or exceed \$55,000,000 (the "Minimum Cash Condition").

### **Drilling Tools Incentive Plan**

The Company has agreed to adopt, subject to stockholder approval, a stock incentive plan (the "Incentive Plan") to be effective as of the Closing and in a form mutually acceptable to the Company and Drilling Tools. The Incentive Plan will provide for the reservation of an aggregate number of shares of our common stock equal to 10% of the fully diluted outstanding shares of our common stock immediately after the Closing, for issuance pursuant to the Incentive Plan, subject to annual increases as provided in the Incentive Plan.

### **Non-Solicitation Restrictions; Exclusivity**

Each of the Company and Drilling Tools has agreed that from the date of the Drilling Tools Merger Agreement to the Effective Time or, if earlier, the valid termination of the Drilling Tools Merger Agreement in accordance with its terms, it will not, and will use its reasonable best efforts to cause its Representatives (as defined in the Drilling Tools Merger Agreement) not to, directly or indirectly,

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(a) initiate, solicit or knowingly encourage or knowingly facilitate any inquiries or requests for information with respect to, or the making of, any inquiry regarding, or any proposal or offer that constitutes, or could reasonably be expected to result in or lead to, any Acquisition Proposal (as defined in the Drilling Tools Merger Agreement), (b) engage in, continue or otherwise participate in any negotiations or discussions concerning, or provide access to its properties, books and records or any confidential information or data to, any Person (as defined in the Drilling Tools Merger Agreement) (other than a Party (as defined in the Drilling Tools Merger Agreement) to the Drilling Tools Merger Agreement) relating to any proposal, offer, inquiry or request for information that constitutes, or could reasonably be expected to result in or lead to, any Acquisition Proposal, (c) approve, endorse or recommend, or propose publicly to approve, endorse or recommend, any Acquisition Proposal, (d) execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, confidentiality agreement, merger agreement, acquisition agreement, exchange agreement, joint venture agreement, partnership agreement, option agreement or other similar agreement for or relating to any Acquisition Proposal, or (e) resolve or agree to do any of the foregoing. Each Party has also agreed it will use commercially reasonable efforts to cause its Representatives to cease any solicitations, discussions or negotiations with any Person (other than the Parties and their respective Representatives) conducted heretofore in connection with an Acquisition Proposal or any inquiry or request for information that could reasonably be expected to lead to, or result in, an Acquisition Proposal.

## **Conditions to Closing**

The consummation of the Merger is conditioned upon, among other things, (i) the expiration or termination of the applicable waiting period(s) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations promulgated thereunder, (ii) the absence of any governmental order, statute, rule or regulation enjoining or prohibiting the consummation of the Drilling Tools Business Combination, (iii) the completion of the Offer (as defined in the Drilling Tools Merger Agreement) in accordance with the Drilling Tools Merger Agreement, our organizational documents and the Proxy Statement, (iv) the Company having at least \$5,000,001 of net tangible assets (as determined in accordance with Rule 3a51-1(g)(1) of the Exchange Act, (v) receipt of Company stockholder approval and certain Drilling Tools stockholder approvals, (vi) the approval for listing of our common stock on Nasdaq subject only to official notice of issuance thereof, (vii) satisfaction of the Minimum Cash Condition, (viii) redemption by the Company of less than



ninety-five percent (95%) of the public shares issued and outstanding as of the date of the Drilling Tools Merger Agreement after giving effect to redemptions through the Offer, (ix) solely with respect to the Company, (A) each of the representations and warranties of Drilling Tools being true and correct to applicable standards and each of the covenants of Drilling Tools having been performed or complied with in all material respects, (B) the Company's receipt of an officer's certificate of Drilling Tools certifying that such representations and warranties are true and correct and such covenants have been performed and complied with, and (C) the execution and delivery of certain ancillary agreements, and (x) solely with respect to Drilling Tools, (A) each of the representations and warranties of the Company and Merger Sub being true and correct to applicable standards and each of the covenants of the Company and Merger Sub having been performed or complied with in all material respects, (B) Drilling Tools' receipt of officer's certificates of the Company and Merger Sub certifying such representations and warranties are true and correct and such covenants have been performed and complied with, (C) the amendment and restatement of the Company's certificate of incorporation in the form of the PubCo Charter (as defined in the Merger Agreement), (D) the execution and delivery of certain ancillary agreements, and (xi) if necessary, consent from the administrative agent under Drilling Tools' credit facility to consummate the Drilling Tools Business Combination.

### **Termination**

The Drilling Tools Merger Agreement may be terminated and the transactions contemplated thereby abandoned:

(i) by mutual written consent of the Company and Drilling Tools;

(ii) prior to the Closing, by written notice by either the Company or Drilling Tools if the other party has breached its representations, warranties, covenants or agreements in the Drilling Tools Merger Agreement such that the conditions to Closing cannot be satisfied and such breach cannot be cured within certain specified time periods; provided that the terminating party is not then in material breach of its representations, warranties, covenants or agreements under the Drilling Tools Merger Agreement;

(iii) prior to the Closing, by written notice by either the Company or Drilling Tools if the Drilling Tools Business Combination is not consummated on or before the end of the Combination Period;

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(iv) prior to the Closing, by written notice by either the Company or Drilling Tools if the consummation of the Merger is permanently enjoined or prohibited by the terms of a final, non-appealable governmental order or a statute, rule or regulation;



(v) by either the Company or Drilling Tools if our stockholders do not approve the Drilling Tools Merger Agreement at the special meeting held for that purpose; or

(vi) by written notice from Drilling Tools to the Company prior to obtaining our stockholder approval if there has been a Change in Recommendation (as defined the Drilling Tools Merger Agreement).

The foregoing description of the Drilling Tools Merger Agreement is subject to and qualified in its entirety by reference to the full text of the Drilling Tools Merger Agreement, a copy of which is attached as Exhibit 2.1 hereto.

### **Certain Related Agreements**

The Drilling Tools Merger Agreement and other agreements described below have been included to provide investors with information regarding their respective terms. They are not intended to provide any other factual information about the Company, Drilling Tools or the other parties thereto. In particular, the assertions embodied in the representations and warranties in the Drilling Tools Merger Agreement were made as of a specified date, are modified or qualified by information in one or more confidential disclosure letters prepared in connection with the execution and delivery of the Drilling Tools Merger Agreement, may be subject to a contractual standard of materiality different from what might be viewed as material to investors, or may have been used for the purpose of allocating risk between the parties. Accordingly, the representations and warranties in the Drilling Tools Merger Agreement are not necessarily characterizations of the actual state of facts about the Company, Drilling Tools or the other parties thereto at the time they were made or otherwise and should only be read in conjunction with the other information that the Company makes publicly available in reports, statements and other documents filed with the SEC. The Company and Drilling Tools investors and securityholders are not third-party beneficiaries under the Drilling Tools Merger Agreement.

### **Support Agreements**

In connection with the execution of the Drilling Tools Merger Agreement, our sponsor entered into a support agreement with Drilling Tools and the Company (the "Sponsor Support Agreement") pursuant to which the sponsor has agreed to vote all Subject Shares (as therein defined) beneficially owned by it in favor of the Merger. Further, pursuant to the Sponsor Support Agreement, in order to induce Drilling Tools to enter into the Drilling Tools Merger Agreement, the sponsor agrees to forfeit up to 50% of the Founder Shares (as therein defined) to the Company for reissuance to investors in connection with the Equity Financing and (b) to split the remainder of the Founder Shares with Drilling Tools stockholders as set forth in the Sponsor Support Agreement.

In addition, in connection with the execution of the Drilling Tools Merger Agreement, Drilling Tools' majority stockholder entered into a support agreement (the "Drilling Tools Stockholder Support Agreement") with the Company and Drilling Tools pursuant to which such stockholders agreed to vote all Subject Shares (as therein defined) beneficially owned by them in favor of the Drilling Tools Business Combination.

The foregoing description of the Sponsor Support Agreement and the Drilling Tools Stockholder Support Agreement is subject to and qualified in its entirety by reference to the full text of the Sponsor Support Agreement and the Drilling Tools Stockholder Support Agreement, copies of which are attached as Exhibits 10.12 and 10.13 hereto, respectively.

### **Amended and Restated Registration Rights Agreement**

In connection with the Drilling Tools Business Combination, the Company and certain stockholders of each of the Company and Drilling Tools who will receive our common stock pursuant to the Drilling Tools Merger Agreement have entered into an amended and restated registration rights agreement ("Registration Rights Agreement"), to become effective upon the Closing.

The foregoing description of the Registration Rights Agreement is subject to and qualified in its entirety by reference to the full text of the Registration Rights Agreement, a copy of which is attached as Exhibit 10.14 hereto.

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### ***Lock-up Agreement and Arrangements***

Prior to the consummation of the Drilling Tools Business Combination, certain Drilling Tools stockholders, including all existing stockholders of Drilling Tools holding greater than 5% of its share capital, will enter into a lock-up agreement (the "Drilling Tools Stockholder Lock-up Agreement") with the Company. In addition, the Company and our sponsor intend to undertake an amendment and restatement to the Stock Escrow Agreement, dated December 1, 2021, by and among the Company, the sponsor and the escrow agent named therein (the "Escrow Agreement" and, when amended and restated, the "Amended and Restated Escrow Agreement") to align our sponsor's restrictions on transfer with respect to all shares of common stock it owns, including the Founder Shares, to those described below. Under the terms of the Drilling Tools Stockholder Lock-up Agreement, and under the terms of the sponsor lock-up provisions to be contained in the Amended and Restated Escrow Agreement, such Drilling Tools stockholders and our sponsor will each agree, subject to certain customary exceptions, that during the period that is the earlier of (i) the date that is 180 days following the Closing Date, and (ii) the date specified in a written waiver of the provisions of the Drilling Tools Stockholder Lock-up Agreement duly executed by our sponsor and by us, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Lock-up Shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares (whether any of these transactions are to be settled by delivery of any such Lock-up Shares, in cash or otherwise), publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, or engage in any "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, or any type of direct and indirect stock pledges, forward sale contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis), or sales or other transactions through non-US broker dealers or foreign regulated brokers. As used herein, "Lock-up Shares" means, (a) in the case of each Drilling Tools stockholder party thereto, those shares of our common stock received by such Drilling Tools stockholder as merger consideration in the Drilling Tools Business Combination and beneficially owned by such Drilling

Tools stockholder as specified on the signature block of the Drilling Tools Stockholder Lock-up Agreement, and (b) in the case of our sponsor, the Escrow Shares (as defined in the Escrow Agreement).

The foregoing description of the Drilling Tools Stockholder Lock-up Agreement is subject to and qualified in its entirety by reference to the full text of the form of Drilling Tools Stockholder Lock-up Agreement, a copy of which is attached as Exhibit 10.15 hereto.

### **Director Nomination Agreement**

In connection with the Closing, the Company and the sponsor will enter into a director nomination agreement (the "Director Nomination Agreement") pursuant to which the Company agrees to nominate an individual designated by our sponsor to serve on the board of directors of the Company as a Class III director, effective as of immediately after the Effective Time.

The foregoing description of the Director Nomination Agreement is subject to and qualified in its entirety by reference to the full text of the form of Director Nomination Agreement, a copy of which is attached as Exhibit 10.16 hereto.

Other than as specifically discussed, this Report does not assume the closing of the Drilling Tools Business Combination.

### **Business Combination Marketing Agreement**

In connection with the Drilling Tools Business Combination, the Company has amended EarlyBirdCapital's fees under the business combination marketing agreement from (i) 3.5% of the total gross proceeds raised in the initial public offering and (ii) 1% of the total consideration of an initial business combination transaction to a flat cash fee of \$2,000,000.

### **Business Strategy**

The non-operated segment cyclical nature of the oil and gas industry, commercial terms will be more favorable to rental tool companies when oil and gas industry activity is higher.

### **Oil and Gas Drilling Activity**

Rental tool companies' financial and operating results are tied to the level of oil and gas drilling activity in their respective regions of operation, which, in our case, are generally the United States and Canada. Historically, the level of activity was measured by the number of active drilling rigs. As of December 31, 2023, the weekly average U.S. and Canadian onshore rig count as reported by Baker Hughes was 667 and 176, respectively. These figures have increased by 249 rigs, or 59%, in the United States and by 88 rigs, or 100%, in Canada since the average weekly lows of 2020.

Despite a reduction in the rig count since the highs of 2012, a rig can now accomplish more than one could have in the past. Drilling rigs now operate faster and drill longer wells, resulting in more efficient production than ever before. Accordingly, we believe that well count and feet drilled are better indicators of the level of oil and gas drilling activity.

### **Our Strategy**

We intend to (i) maximize the profitability of our core rental tool business, (ii) commercialize new high-value rental tools that make the drilling process more efficient (iii) extend our reach into other segments of a well's lifecycle, such as completion and production and (iv) expand geographically. We intend to execute our strategy through the following:

- **Increase sales to E&P operators** — E&P operators are the most profitable and financially robust renters of oil and gas drilling tools. As a result, in 2014, we began to expand our customer base by targeting these companies. We have subsequently grown the percentage of our revenue derived from E&P operators from less than 10% in 2014 to over 47% in 2023. We believe that we can continue increasing the amount of business we do with E&P operators through persistent selling efforts, excellent customer service and strategically expanding our rental tool fleet with differentiated new tools. We believe that we can eventually generate in excess of 50% of our revenue from E&P operators while maintaining our leading position with OSC customers. We strive to maintain business relationships and brand recognition with both E&P operators, drilling contractors, and service companies. Some E&P operators have implemented a strategy to go directly to suppliers and de-bundle directional drilling service providers in order to get the tools they want and extract value from that de-bundling process. By ensuring we have a business path to both the E&P operators and the directional drilling service companies, we believe we are in a position to win business regardless of the commercial profile of the end user.
- **Maximize the uptime of our rental tool fleet** — We only earn a return from tools that are being rented. Accordingly, we strive to minimize the number of tools that are unused or awaiting repair. We intend to do so by leveraging DTI's Customer Order Management Portal and Support System ("COMPASS"), which empowers us to transfer tools from facilities where they are under-utilized to those where they are in greatest demand. COMPASS also enables us to stock the optimal number of a particular tool, such that we have enough inventory to meet all customer needs without having excess inventory and thereby stranding capital. See "— Our Competitive Strengths — COMPASS inventory management system." Our inspection, machining and robotic capabilities also allow us to maximize the uptime of our rental tool fleet because we can control these critical functions and return our rental tools to service.
- **Further professionalize the organization** — Historically, rental tool companies' success was largely tied to their ability to provide customers with ancillary benefits and perks, such as golf outings and meals. While safety standards existed, compliance therewith was not typically audited. Moreover, operating facilities were unimpressive and rarely visited by customers, rental tools were worn and inexact, and quality audits were uncommon. Today, however, safety and quality standards are far more exacting. Accordingly, rental tool companies must be professional, transparent and sophisticated. As the oil and gas industry professionalizes, all segments of the industry are increasingly evaluated based on a strict set of criteria that includes safety, ability to fulfill tool orders, the presence of repeatable and verifiable processes and procedures, billing accuracy and "one-stop shop" capabilities. While rental tool companies must maintain relationships with customers, they must also have auditable and repeatable processes to win business. We have transformed our business in light of the new normal, allocating resources to ensure we meet our customers' high expectations. We believe that many of our competitors have not made this transition. We intend to press this advantage by continuing to professionalize our workforce and processes, thereby widening the gap between us and our competitors.
- **Execute accretive mergers and acquisition** — We have a demonstrated track record of successfully integrating acquired businesses. Because of our industry reputation, we are frequently presented with acquisition opportunities. However, given our capital limitations in recent years, we have not been able to proceed with many of these transactions. From 2010 to 2016, significant capital flowed into the OFS sector, is highly fragmented, with a significant supply of high-quality producing and non-producing assets. Additionally, the sector is generally uncompetitive with only one pure-play, publicly held non-operated company. Energy-specific led by energy-focused private equity firms that typically have pulled back from investing in non-operated focused businesses due to

lack investment horizons of exit alternatives and overall lack ten years or less. Although many of investible capital at these investments are now more than ten years old, the fund level.

private equity firms



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While have no clear path to achieving liquidity since little new capital is entering the early days of shale drilling were defined by resource delineation, well-space testing and under-built midstream infrastructure, today's shale business harnesses the knowledge gained and infrastructure built over the past 15 years to develop the resource reliably, predictably and economically. The assets that are being developed now are well understood and have predictable ultimate economic recoveries which we believe can provide significant upside to investors. 7

energy industry. We believe that our knowledge and experience we have compelling accretive acquisition opportunities, the purchase price consideration for which can be shares of Common Stock. Given their relationships in the sector, combined with the lack of competition, presents the opportunity to buy high quality assets or businesses at compelling purchase prices with attractive reinvestment opportunities while still paying a dividend. We believe that owners of non-operated assets, funds and companies will find a merger or sale to a SPAC to be a very compelling proposition, given the paucity viable alternatives.

**Our Business Combination Process**

In evaluating a prospective target business, such as Drilling Tools, we conduct a customary due diligence review that encompasses, among other things, meetings with incumbent management and employees, document reviews, interviews of customers and suppliers, inspection of facilities as well as reviewing financial and other information that will be made available to us. We also utilize our operational and capital allocation experience to further our understanding of the prospective target business.

We may also draw upon the services of Fifth Partners, a private equity group located in Dallas, Texas. An active investment partner, it provides network companies access to the people, opportunities and capital needed to build sustainable enterprises. Since its founding in 2015, Fifth Partners has deployed over \$1.5 billion across various asset classes, including real estate and energy. In addition to hard asset investing, Fifth Partners also owns and operates multiple early- to mid-stage businesses.

Fifth Partners, from time to time, assists us in the identification of assets or companies that may be appropriate acquisition targets. While we may also draw upon Fifth Partners' platforms, infrastructure, personnel, network and relationships to provide access to deal prospects, along with any necessary resources to aid in the identification and diligence of a target, such as Drilling Tools, for the initial business combination, Fifth Partners is not obligated to identify any such target assets or companies or to perform due diligence on any acquisition targets. Any such activities are solely the responsibility of our management team.

We are not prohibited from pursuing an initial business combination with a company that is affiliated with our sponsor, officers or directors. In the event we seek to complete our initial business combination with a company that is affiliated with our sponsor, officers or directors, we, or a committee of independent directors, will obtain an opinion from an independent investment banking firm or another independent valuation or appraisal firm that regularly provides fairness opinions that our initial business combination is fair to our company from a financial point of view.

Members of our management team directly or indirectly own our securities following our initial public offering, and accordingly, they may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate our initial business combination. Further, each of our officers and directors may have a conflict of interest with respect to evaluating a particular business combination if the retention or resignation of any such officers and directors was included by a target business as a condition to any agreement with respect to our initial business combination.

Our officers and directors presently have, and any of them in the future may have additional, fiduciary or contractual obligations to other entities. Pursuant to such fiduciary duties, such officer or director is or will be required to present a business combination opportunity to such other entities subject to his or her fiduciary duties. Subject to his or her fiduciary duties under Delaware law, none of industry, the members of our management team who are also employed by can source attractive acquisition targets. We intend to focus our sponsor acquisition activity on the downhole rental tool sector, including companies that rent or its affiliates have any obligation to present us with any opportunity for a potential business combination of which they become aware. If any of our officers or directors becomes aware of a business combination opportunity sell drilling motors and their components, specialty downhole tools that falls within the line of business of any entity to which he or she has pre-existing fiduciary or contractual obligations, he or she may be required to present such business combination opportunity to such entity prior to presenting such business combination opportunity to us, subject to his or her fiduciary duties under Delaware law and any other applicable fiduciary duties, and only present it to us if such entity rejects the opportunity. Our amended and

restated certificate of incorporation provides provide added value, power sections that we renounce our interest in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the company and it is an opportunity that we are able to compete on a reasonable basis.

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Our officers and directors may, under certain circumstances, become an officer or director of another special purpose acquisition company with a class of securities intended to be registered under the Exchange Act, even before we have entered into a definitive agreement regarding our initial business combination.

Our acquisition criteria, due diligence processes and value creation methods are not intended to be exhaustive. Any evaluation relating transmit power transmission to the merits of a particular initial business combination may be based, to drill bit, and products that support the extent relevant, on these general guidelines as well as other considerations, factors and criteria that our management may deem relevant. In the event that we decide to enter into our initial business combination with a target business that meets only some but not all of the above criteria and guidelines, we will disclose that the target business meets some but not all of the above criteria downhole pumping operations used in our stockholder communications related to our initial business combination, which, as discussed in the IPO Registration Statement, would be in the form of tender offer documents or proxy solicitation materials that we would file with the SEC, such as the Drilling Tools Registration Statement.

## **Sourcing of Potential Business Combination Targets**

production. We believe that an ability to provide these products will further embed us with our customers, and acquired companies would benefit from our customer relationships, facilities, salesforce and industry reputation. Nonetheless, we intend to extend our participation into the operational completion and transactional experience production portion of a well's lifecycle. Because the owners of many companies in our target sectors have limited options to realize liquidity, we believe we can attain attractive purchase prices that are highly accretive to our valuation metrics.

- **Partner with leading drilling tool producers —**  
We intend to differentiate ourselves from our

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competitors by partnering with leading drilling tool producers, thereby empowering us to rent value-added tools to which our competitors do not have access. We have a track record of partnering with drilling tool producers to achieve mutually beneficial results. For example, we are party to a distribution agreement with SDPI, which holds the patent to Drill-N-Ream. SDPI launched the tool in 2012, but experienced slowing sales by 2015 and 2016. We leveraged our industry relationships to secure distribution rights for Drill-N-Ream in May 2016. As a signal of our management commitment to the product and relationship with SDPI, we hired all the related personnel and launched a North American commercial strategy. Our Wellbore Optimization team has over 25 employees trained and members dedicated to selling and servicing the Drill-N-Ream. We have a unique “field first” approach whereby we provide service to the field foreman and wellsite superintendents, and communicate with the city sales team to provide performance data and feedback to the clients in corporate offices. We developed a Technical Services department with mechanical and petroleum engineers to support the value proposition of our sponsor core products and their respective affiliates and related entities and the relationships they have developed as a result of such experience, provide us with a substantial number of potential business combination targets, such as Drilling Tools. These individuals and entities have developed a broad network of contacts and corporate relationships around the world. This network has grown through sourcing, acquiring and financing businesses and maintaining relationships with sellers, financing sources and target management teams. Our management team and members products like Drill-N-Ream. Because of our sponsor and their respective affiliates and related entities efforts, Drill-N-Ream is now the market leader in wellbore conditioning. See “Risk Factors — Risks Related to Our Business — Termination of, or failure to comply with, the terms of our non-exclusive distribution agreement with SDPI could have significant experience in executing transactions under varying economic and financial market



conditions. We believe that these networks of relationships and this experience provide us with important sources of investment opportunities. In addition, target a material adverse effect on our business candidates may be brought to our attention from various unaffiliated sources, including investment market participants, private equity funds and large business enterprises seeking to divest noncore assets or divisions.

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We are not prohibited from pursuing an initial business combination with a business combination target that is affiliated with our sponsor, officers or directors (or their respective affiliates or related entities) or making the acquisition through a joint venture or other form of shared ownership with our sponsor, officers or directors (or their respective affiliates or related entities). While Drilling Tools is not affiliated with our sponsor, officers or directors, in the event we do not consummate the Drilling Tools Business Combination, and we seek to complete our initial business combination with a company that is affiliated with our sponsor, officers or directors (or their respective affiliates or related entities), we, or a committee of independent directors, will obtain an opinion from an independent investment banking firm or another independent firm that commonly renders valuation opinions that our initial business combination is fair to our company from a financial point of view. We are not required to obtain such an opinion in any other context.

For more information on the Drilling Tools Business Combination, please see “Drilling Tools Business Combination” above.

## **Initial Business Combination**

We have until June 6, 2023 to consummate an initial business combination.” If we are unable to consummate fully protect our initial business combination within this Combination Period, intellectual property rights or trade secrets, we will, may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights.” Similarly, we have entered into an exclusive distribution agreement with CT Energy Services (“CTES”), a Canadian firm that developed the HydroClutch. This tool, which we have rebranded as promptly as possible but not more than ten business days

thereafter, redeem 100% RotoSteer, allows drillers to use an alternative method of our outstanding public shares for a pro rata portion horizontal well drilling. By using RotoSteer, customers can enhance levels of performance with the funds held traditional methods of horizontal well drilling, and lower cost with significantly lower risk. We finalized an agreement with CTES in the trust account, including third quarter of 2022 and have established a pro rata portion fleet of any interest earned on 12 RotoSteer tools in inventory. On February 6, 2023, we completed a purchase of a motor shop and downhole motor product line that will support our RotoSteer offering. We are now able to service our fleet of RotoSteer tools. We have 36 RotoSteer tools in our fleet that are ready to be deployed as of December 31, 2023. We believe that our RotoSteer tool business has the funds held potential to achieve a commanding market share in the trust account and not previously released United States in the next three to us five years. We believe that there is an opportunity to pay expand our taxes, and then seek to dissolve and liquidate. However, we may not be able to distribute such amounts as a result of claims of creditors which may take priority over the claims of our public stockholders. In the event of our dissolution and liquidation, the private units will expire and will be worthless.

Our amended and restated certificate of incorporation provides that we must consummate our initial business combination by December 6, 2022; however, if we anticipate that we may not be able to consummate our initial business combination by December 6, 2022, we may, by resolution of our board if requested by our sponsor, extend the period of time to consummate a business combination up to two times, each by an additional three months (for a total of up to 18 months, or until June 6, 2023, to complete a business combination), subject to the sponsor depositing additional funds RotoSteer offering into the trust account as set out below. Pursuant international market.

• **Expand international operations** — We intend to the terms of expand our amended and restated certificate of incorporation and the trust agreement entered into between us and Continental, in order for the time available for us to consummate our initial business combination to be extended, our sponsor or its affiliates or designees, upon five days advance notice prior to the applicable deadline, must deposit into the trust account \$2,070,000 (\$0.10 per unit), on or prior to the date of the applicable deadline, for each of the available three month extensions providing a total possible business combination period of 18 months, or until June 6, 2023, for a total payment \$4,140,000 (\$0.20 per unit). Any such payments would be made in the form of non-interest bearing loans. If we complete our initial business combination, we will, at the option of our sponsor, repay such loaned amounts out of the proceeds of the trust account released to us or convert a portion or all of the total loan amount into units at a price of \$10.00 per unit, which units will be identical to the private units. If we do not complete a business combination, we will repay such loans only from funds held outside of the trust account. Our stockholders will not be entitled to vote or redeem their shares in connection with any such extension. In the event that we receive notice from our sponsor five days prior to the applicable deadline of its wish for us to effect an extension, international footprint, including by acquiring identified targets. While we intend to issue a press release announcing such intention at least three days prior to the applicable deadline. In addition, maintain and grow our current North American business, we intend to issue a press release increase, in the day after next five years, the applicable deadline announcing whether or not percentage of our revenue and income derived from

outside of North America. To successfully implement this strategy, we will need to make several strategic acquisitions and invest additional capital.

### Our Competitive Strengths

To implement the funds had been timely deposited. Our sponsor strategies discussed above, we plan to leverage the following competitive strengths:

- **Experienced management team with significant industry experience** — We are led by oil and its affiliates or designees are not obligated to fund the trust account to extend the time for us to complete our initial business combination.

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On December 2, 2022, we announced that our sponsor had requested that we extend the date by which we must consummate a business combination from December 6, 2022 to March 6, 2023. On December 6, 2022, we issued an Extension Note to FP SPAC 2 in connection with this extension. On March 2, 2023, we announced that our sponsor had requested that we extend the date by which we must consummate a business combination from March 6, 2023 to June 6, 2023. On March 2, 2022, we issued a second Extension Note to FP SPAC 2 in connection with this extension. At the election of FP SPAC 2, the unpaid principal amount of the Extension Note may be converted into units of our oil and gas industry. Our President and Chief Executive Officer ("CEO"), Wayne Prejean, began his career in 1979 as an entry-level service technician on an offshore drilling platform in the GOM, providing monitoring equipment for producing wells. In 1981, he joined a new firm providing guidance and survey tools for directional drilling services. Throughout the 1980s, Mr. Prejean became a directional drilling operator, supervisor and manager, using novel techniques in the nascent horizontal and directional drilling processes. Mr. Prejean spent the next 20 years in senior

management roles, developing and growing numerous successful companies in multiple sectors of the Company industry. Mr. Prejean became our CEO in 2013. Mr. Prejean's industry expertise, paired with the total number of units so issued to be equal to: (x) the portion that of the principal amount of the Extension Notes being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

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We will either (1) seek stockholder approval of our initial business combination at a meeting called for such purpose, at which stockholders may seek to redeem their shares, regardless of whether they vote for or against the proposed business combination, into their pro rata share of the aggregate amount then on deposit in the trust account (net of taxes payable), or (2) provide our stockholders with the opportunity to sell their shares to us by means of a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their pro rata share of the aggregate amount then on deposit in the trust account (net of taxes payable), in each case subject to the limitations described herein. The decision as to whether we will seek stockholder approval of our proposed business combination or allow stockholders to sell their shares to us in a tender offer will be made by us, solely in our discretion, and will be based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would otherwise require us to seek stockholder approval. Any tender offer documents used in connection with a business combination will contain substantially the same financial and other information about the initial business combination as is required under the SEC's proxy rules.

The initial per public share redemption or redemption price is \$10.10 per share without taking into account any interest earned on such funds or additional funds, if any, deposited into the trust account in connection with extensions of the period of time to consummate a business combination (as described in more detail in this Report). However, we may not be able to distribute such amounts as a result of claims of creditors which may take priority over the claims of our public stockholders.

Nasdaq rules require that we must consummate an initial business combination with one or more target businesses that together have an aggregate fair market value of at least 80% of the assets held in the trust account (excluding any taxes payable). If our board of directors is not able to independently determine the fair market value of our initial business combination, we will obtain an opinion from an independent investment banking firm or another independent firm that regularly provides fairness opinions solely with respect to the satisfaction of such criteria. While we consider it unlikely that our board will not be able to make such independent determination of fair market value, it may be unable to do so if the board is less familiar or experienced with the target company's business, there is a significant amount of uncertainty as to the value of the company's assets or prospects, including if such company is at an early stage of development, operations or growth, or if the anticipated transaction involves a complex financial analysis or other specialized skills and the board determines that outside expertise would be helpful or necessary in conducting such analysis. Since any opinion, if obtained, would merely state that the fair market value meets the 80% fair market value test, unless such opinion includes material information regarding the valuation of a target business or the consideration to be provided, it is not anticipated that copies of such opinion would be distributed to our stockholders. However, if required under applicable law, any proxy statement that we deliver to stockholders and file with the SEC in connection with a proposed transaction will include such opinion. Additionally, pursuant to Nasdaq rules, any initial business combination must be approved by a majority of our independent directors.

The Drilling Tools Business Combination is structured so that the post-transaction company in which our public stockholders hold equity will own 100% of the equity interests of Drilling Tools. However, as a result of the issuance of a substantial number of new shares, our stockholders immediately prior to the closing of the Drilling Tools Business Combination may own less than a majority of our issued and outstanding shares subsequent to the closing of the Drilling Tools Business Combination. We anticipate that the Drilling Tools Business Combination will satisfy Nasdaq's 80% fair market value test requirement.

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If any of our officers or directors becomes aware of a business combination opportunity that falls within the line of business of any entity to which he or she has pre-

existing fiduciary or contractual obligations, he or she may be required to present such business combination opportunity to such entity prior to presenting such business combination opportunity to us. All of our officers, directors and director nominees currently have certain relevant pre-existing fiduciary duties or contractual obligations.

For more information on the Drilling Tools Business Combination, please see “Drilling Tools Business Combination” above.

### Our Management Team

Members of our management team, are not obligated to devote any specific number of hours to our matters but they have devoted and will continue to devote as much of their time as they deem necessary to our affairs until we have completed our initial business combination. The amount of time that any is a significant strength. Every member of our the management team devotes in any time period varies based on has worked at a major OSC. Accordingly, our team understands corporate structure, internal processes and the current stage needs of our customers. As a result, the initial business combination process.

We believe management team helps us become an integral part of our management team's operating and transaction experience and relationships with companies provides us with a substantial number of potential business combination targets, such as Drilling Tools. Over the course of their careers, the customers' operations. Many members of our management team have developed worked together over the past ten years and have helped us transform from a broad network small, entrepreneurial company with few processes and procedures, less sophisticated customers and few operating locations into a professional

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company serving leading OSCs and E&P operators from 16 locations in North America and 4 international stocking points in Europe and the Middle East.

- **Large fleet of contacts rental tools meeting our customers' needs** — We operate and corporate relationships. This network has grown through maintain a large rental tool fleet that is dispersed across most of the activities oil and gas producing regions of the U.S. and Canada. Our fleet is significantly concentrated in the Permian Basin, one of the world's most prolific oil and gas fields. We have recently expanded into Europe and the Middle East via partnerships with existing suppliers. The tools that make up a bottom hole assembly and a drill string vary widely due to the differing nature of oil and gas formations, hole sizes, wellbore design, connections and drilling engineer preferences. Therefore, it is not efficient for even the largest diversified OSCs, such as Baker Hughes Company, Phoenix Technology Services LP, and SLB (formerly Schlumberger Limited), to maintain their own rental tool fleet. Furthermore, high-quality customers expect rental tool companies

to meet all their tool needs. Thus, without a sizeable rental tool fleet, smaller providers cannot secure large contracts covering multiple geographic locations. The sheer number of tool variations and the substantial cost to replicate a rental tool fleet serve as barriers to entry for new competitors in the downhole rental tool industry.

- **Master Service Agreements with leading customers** — We have over 325 master service agreements ("MSAs") with leading OSCs and E&P operators as of December 31, 2023. An MSA is necessary to do business with many of our customers. Obtaining an MSA requires both time and a relationship with the customer. Additionally, to enter into MSAs with its customers, a rental tool company must demonstrate a record of safety, repeatable processes and procedures and, in some cases, industry certifications such as API (American Petroleum Institute) and ISO (International Organization for Standards). A rental tool company must also satisfy numerous site and job specific quality criteria. We possess all certifications that are required by our customers, have a robust quality assurance department and regularly satisfy customer audits. Many smaller rental tool providers cannot meet the stringent requirements set out by world-leading OSCs and E&P operators.
- **Wide distribution network** — In 2012 we had three facilities. We have since grown our physical footprint significantly, and now operate from 16 locations in North America, including five facilities in the Permian Basin (two in Midland, Texas, two in Odessa, Texas and one in Carlsbad, New Mexico). Our ability to support customers across all of North America is critical to winning business because our customers operate across the continent. Most of these facilities operate 24 hours per day, 365 days per year, and many are equipped with machining and welding capabilities to facilitate in-house tool repair, which maximizes turnaround time and minimizes downtime. In addition to our North American facilities, we have 4 international stocking points in Europe and the Middle East. We can meet many of our customers' rental tool needs in every location in which they operate.
- **COMPASS inventory management system** — In 2016, we began designing COMPASS, a proprietary inventory and order management system. COMPASS enables customers to place orders online using a streamlined interface similar to the "Add to Cart" function provided by many online retailers. Every tool available for rental on COMPASS is accompanied by a description, a photograph and all relevant connection, size and raw material information. Customers can create a custom basket, thereby allowing them to more efficiently place repeat orders. COMPASS provides customers with full transparency on tool orders and account status with all-day instant access and customized automated scheduling reports. We believe that none of our competitors are making a similar technological transition. COMPASS has helped us maximize fleet utilization. Specifically, COMPASS generates reports that enable facility managers to identify slow-moving or under-utilized tools and to "right size" the rental tool fleet at each location. Thus, instead of buying a new tool when needed at a busy facility, the tool can be moved from a facility where it is not currently being utilized. Awareness of an asset's use enables us to increase rental tool utilization and maximize return on capital.
- **Large, talented salesforce with deep customer relationships** — Our salespeople specialize in a particular tool type (e.g., drilling tools, wellbore optimization tools and drill pipe) and support all locations where our customers operate. Our salespeople are divided into two teams: city-sales and field-sales. The city-sales team focuses its efforts on customers' corporate offices, striving to establish and maintain long-term relationships that can culminate in multi-year first call supply agreements with detailed pricing arrangements. The field-sales team focuses its efforts on customers' drilling rigs and field offices. The field-sales team seeks to fulfill customers' needs that are specific to ongoing or soon-to-launch projects. Whether a member of our city-sales team or our

field-sales team, each salesperson focuses on providing customers the right tools when and where those tools are needed.

## Customers

Our customer base is comprised of: (i) diversified OSCs account for approximately 50% of 2023 revenue, including but not limited to Baker Hughes Company, Halliburton Company, Phoenix Energy, and SLB (formerly Schlumberger); (ii) E&P operators account for approximately 47% of 2023 revenue, included but not limited to ConocoPhillips, EOG Resources Inc., Occidental Petroleum Corporation, Pioneer Energy Services Corp.; and (iii) oil and gas equipment manufacturers account for approximately 3% of 2023 revenue, included but not limited to Liberty Lift Solutions and National Oilwell Varco.

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Conducting business with top tier customers requires world class service quality, safety and auditable work processes. These operating requirements are contained in MSAs with our clients. Obtaining MSAs can be difficult and time-consuming. We believe this creates a barrier to entry for smaller, less competent providers and provides us an industry advantage.

## Employees and Employee Safety

We have 394 employees and contractors, all of whom were full-time. Our workforce includes over 29 sales professionals who are divided between city-sales and field-sales teams. Keeping our workforce safe and healthy is a key priority, and management is committed to ensuring our employees return home safely after each shift. In 2018, we implemented "Safety Now," a rigorous safety program that is part of DTI's Safe, Inspired, Productive incentive program ("SIP"). SIP has helped reduce our total recordable incident rate from 2.3 in 2018 to 1.23 in 2023, which is lower than the industry average. The success of SIP is necessary for us to do business with many of our customers, including Baker Hughes Company, EOG Resources Inc., Occidental Petroleum Corporation and SLB.

## Properties

We operate from 16 locations in North America and maintain 4 international stocking points in Europe and the Middle East, as shown below:



## Government Regulation and Environmental, Health and Safety Measures

Our business is significantly affected by federal, state and local laws and other regulations. These regulations primarily impact the operation of our facilities. The laws and regulations relate to, among other



things:

- worker safety standards;
- the protection of the environment; and
- waste management, with respect to both fluids and solids.

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Our internal environmental group monitors our compliance with applicable laws and regulations. We also engage third parties to review our compliance with such.

We cannot predict the level of enforcement of existing laws and regulations or how such laws and regulations may be interpreted by enforcement agencies or court rulings in the future. We also cannot predict whether additional laws and regulations will be adopted, including changes in regulatory oversight, increase of federal, state or local taxes, increase of inspection costs, or the effect such changes may have on us, our business or our financial condition.

### Competition

We believe that there are a limited number of competitors in the oil and gas drilling rental tools industry. It is our view that we enjoy a competitive advantage with respect to these competitors due to our large relevant tool inventory, strong management team sourcing, acquiring and financing businesses, our management team's relationships with sellers, financing sources significant scale.

### Corporate Information

Our operations date to the founding of Directional Rentals, Inc. in 1984. Its name was changed to "Drilling Tools International, Inc." in 2014, and target management teams and the experience it is a wholly owned subsidiary of our management team in executing transactions under varying economic and financial market conditions.

### Status as a Public Company

We believe our structure as a public company makes us an attractive business combination partner to target businesses. DTIH. As a public company, result of the Business Combination, DTIH became a wholly owned subsidiary of ROC. In connection with the Business Combination, ROC changed its name to "Drilling Tools International Corporation". Our website address is [www.drillingtools.com](http://www.drillingtools.com). The information found on our website is not part of this or any other report we offer a target business an alternative file with, or furnish to, the traditional initial public offering through a merger SEC and is expressly not incorporated by reference into this document. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and any amendments to these reports filed or other business combination with us. In a business combination transaction with us, the owners furnished pursuant to

Section 13(a) or 15(d) of the target business Securities Exchange Act of 1934 are available on our website, free of charge, as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. Alternatively, you may access these reports at the SEC's website at [www.sec.gov](http://www.sec.gov).

## Item 1A. Risk Factors.

### Risks Related to Our Business

*Demand for example, exchange their shares of stock our products and services depends on oil and gas industry activity and customer expenditure levels, which are directly affected by trends in the target business demand for, our shares and price of, common stock (or shares of a new holding company) or for a combination of our shares of common stock crude oil and cash, allowing us to tailor the consideration to the specific needs of the sellers. Although there are various costs and obligations associated with being a public company, we believe target businesses will find this method a more expeditious and cost effective method to becoming a public company than the typical initial public offering. The typical initial public offering process takes a significantly longer period of time than the typical business combination transaction process, and there are significant expenses in the initial public offering process, including underwriting discounts and commissions, marketing and road show efforts that may not be present to the same extent in connection with an initial business combination with us.*

Furthermore, once a proposed initial business combination is completed, the target business will have effectively become public, whereas an initial public offering is always subject to the underwriters' ability to complete the offering, natural gas as well as the availability of capital.

Demand for our products and services depends primarily upon the general market level of activity in the oil and gas industry, including the number of drilling rigs in operation, the number of oil and gas wells being drilled, the depth and drilling conditions which of these wells, the volume of production, the number of well completions and the cumulative feet drilled, the level of well remediation activity, and the corresponding capital spending by oil and gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, current and anticipated oil and natural gas prices locally and worldwide. Historically, such prices have been volatile, and declines, whether actual or anticipated, thereof could delay negatively affect the level of oil and gas activity and related capital spending. Decreases in oil and gas activity and related capital spending could, in turn, adversely affect demand for our products and services and, in certain instances, result in the cancellation, modification or prevent curtailing of demand for our services and the offering from occurring or ability of our customers to pay us for our products and services. These factors could have negative valuation consequences. Following an initial adverse effect on our business, combination, we believe results of operations, financial condition and cash flows.

Factors affecting the target prices of oil and natural gas include, but are not limited to, the following:

- demand for hydrocarbons, which is affected by worldwide population growth, economic growth rates and general economic and business would then have greater conditions;
- available excess production capacity within the Organization of Petroleum Exporting Countries ("OPEC") and the level of oil and gas production by non-OPEC countries;
- oil and gas inventory levels, production capacity and investment levels;

- the continued development of shale plays which may influence worldwide supply;
- transportation differentials associated with reduced capacity in and out of the storage hub in Cushing, Oklahoma;
- costs of exploring for, producing and delivering oil and natural gas;
- political and economic uncertainty and geopolitical unrest;
- oil refining activity and shifts in end-customer preferences toward fuel efficiency and increased transition to electric vehicles;

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- conservation measures and technological advances affecting energy consumption;
- government initiatives to address greenhouse gas emissions and climate change, including incentives to promote alternative energy sources;
- potential acceleration of the commercial development of alternative energy sources and adjacent products, such as wind, solar, geothermal, tidal, fuel cells and biofuels;
- access to capital and an additional means credit markets and investors' focus on shareholder returns, which may affect our customers' activity levels and spending for our products and services;
- changes in laws and regulations related to hydraulic fracturing activities, saltwater disposal or oil and gas drilling, particularly on public properties;
- changes in environmental laws and regulations, including those relating to the use of providing management incentives consistent with stockholder's interests coal in power plants, as such laws and regulations can impact the demand for natural gas;
- adverse weather conditions, changes in weather patterns and natural disasters, including those related to climate change;
- supply disruptions in key oil producing regions;
- terrorist attacks and armed conflicts, including the current conflict between Russia-Ukraine and Israel-Hamas, which could cause temporary price increases, thereby dampening demand; and
- global pandemics

The oil and gas industry is cyclical and has historically experienced periodic downturns. These downturns have been characterized by diminished demand for our products and services and downward pressure on the prices we charge. These downturns generally cause many E&P companies to reduce their capital budgets and drilling activity. Any future downturn or expected downturn could result in a significant decline in demand for OFS and adversely affect our business, results of operations and cash flows.

Customer expenditure levels could also drop if our customers face difficulty in accessing capital. If commodity prices drop, our customers may face liquidity constraints and the ability to use deterioration of their respective credit worthiness. Moreover, our customers may have limited viable financing alternatives in light of unfavorable lending and investment policies held by financial institutions associated with

concerns about environmental impacts of the oil and gas industry or its shares as currency for acquisitions. Being a public company can offer further benefits by augmenting a company's profile among potential new products. Similarly, certain institutional investors have divested themselves of investments in this industry. If any of our customers experience any of these challenges, they may reduce spending, which could adversely affect our business, results of operations and vendors and aid cash flows.

***Growth in attracting talented employees.***

While we believe that our structure and our management team's backgrounds make us an attractive business partner, some potential target businesses may view our status as a blank check company, such as our lack of an operating history U.S. drilling activity, and our ability to benefit from such growth, could be adversely affected by any significant constraints in equipment, labor or takeaway capacity in the regions in which we operate.

Growth in U.S. drilling activity may be impacted by, among other things, the availability and cost of drilling equipment, pipeline capacity, and material and labor shortages. Significant growth in drilling activity could strain availability of the equipment, materials and labor required to drill and complete a well, together with the ability to move the produced oil and natural gas to market. Should significant constraints develop that materially impact the efficiency and economics of oil and gas producers, growth in U.S. drilling activity could be adversely affected. This would have an adverse impact on the demand for the products we sell and rent, which could have a material adverse effect on our business, results of operations and cash flows.

***We depend on a relatively small number of customers in a single industry. The loss of an important customer could adversely affect our business, results of operations and financial condition.***

Our customers are primarily diversified OFS companies and E&P operators. Historically, we have been dependent on a relatively small number of customers for our revenues. During the years ended December 31, 2023 and 2022, 28.2% and 27.6%, respectively, of our total revenue was earned from our two largest customers. Our business, results of operations and financial condition could be materially adversely affected if an important customer ceases to engage us for our services on favorable terms, or at all, or fails to pay or delays paying us significant amounts of our outstanding receivables.

We have operated under a first call supply agreement with our largest customer since 2013. We and this customer have agreed to multiple extensions of this agreement, the most recent of which extends the agreement until February 28, 2025. However, if we are unable to successfully negotiate extensions in the future, then our ability to do business with this customer may be greatly reduced. Moreover, the supply agreements that we have entered into with our other customers are also of limited duration and require periodic extensions. Similarly, a failure to agree to such extensions may hinder our ability to do business with these customers.

Additionally, the E&P industry is characterized by frequent consolidation activity. Changes in ownership of our customers may result in the loss of, or reduction in, business from those customers. Moreover, customers may use their size and purchasing power to seek stockholder approval economies of any proposed initial scale and pricing concessions. Consolidation may also result in reduced capital spending by some of our customers, which may lead to a decreased demand for our services and equipment. We cannot assure you that we will be able to maintain our level of sales to a customer that has consolidated or replace that revenue with increased business combination, negatively, activity with other customers. As a result, the acquisition of one or more of our primary customers may have a significant negative impact on our business, results of operations, financial condition or cash flows. We are unable to predict what effect consolidations in the industry may have on price, capital spending by our customers, our market share and selling strategies, our competitive position, our ability to retain customers or our ability to negotiate favorable agreements with our customers.

***Termination of, or failure to comply with, the terms of our non-exclusive distribution agreement with SDPI could have a material adverse effect on our business.***

In 2016, we entered into an exclusive distribution agreement with SDPI with respect to the Drill-N-Ream™. In 2017, SDPI determined that we did not meet defined market share goals, and as a result our distribution rights with respect to the Drill-N-Ream™ are no longer contractually exclusive. Accordingly, SDPI could choose to distribute the Drill-N-Ream™ through other companies who will then compete with us in this space. These risks could be exacerbated if SDPI were to enter into an exclusive distribution agreement with, or sell the intellectual property rights to the Drill-N-Ream™ to, one of our competitors, or if one of our competitors were to acquire SDPI. While we remain the Drill-N-Ream™'s sole North American distributor, we cannot guarantee that this will remain the case. Our inability to remain the sole North American distributor of the Drill-N-Ream™ could have a material adverse effect on our business, results of operations and cash flows.

***We may be unable to employ a sufficient number of skilled and qualified workers to sustain or expand our current operations.***

The delivery of our products and services requires personnel with specialized skills and experience. Our ability to be productive and profitable will depend upon our ability to attract and retain skilled workers. In addition, our ability to expand our operations depends in part on our ability to increase the size of our skilled labor force. The demand for skilled workers is high, and the cost to attract and retain qualified personnel has increased. During industry downturns, skilled workers may leave the industry, reducing the availability of qualified workers when conditions improve. In addition, a significant increase in the wages paid by competing employers both within and outside of our industry could result in increases in the wage rates that we must pay. Throughout 2021 and 2022, our expenses related to salaries and wages increased materially, especially those expenses related to certain key oil and gas producing regions, as we sought to meet increasing customer demand. During the year ended December 31, 2023, we experienced similar increases. If we are not able to employ and retain skilled workers, our ability to respond quickly to customer

demands or strong market conditions may inhibit our growth, which could have a material adverse effect on our business, results of operations and cash flows.

***Our business depends on the continuing services of certain of our key managers and employees.***

We depend on key personnel. The loss of key personnel could adversely impact our business if we are unable to implement our strategy and successfully manage our business in their absence. The loss of qualified employees or an inability to retain and motivate additional highly-skilled employees required for the operation and expansion of our business could hinder our ability to successfully maintain and expand our market share.

Equity interests in us are a substantial portion of the net worth of our executive officers and several of our other senior managers. As a result, those executive officers and senior managers may have less incentive to remain employed by us if they were to sell their equity interests. After terminating their employment with us, some of them may become employed by our competitors.

***We are an emerging growth company and smaller reporting company and as such are subject to various risks unique only to emerging growth companies and smaller reporting companies, including but not limited to, no requirement to provide an assessment of the effectiveness of internal controls over financial reporting.***

We are an “emerging growth company,” company” as defined in Section 2(a) the Jumpstart Out Business Startups Act of 2012 (“JOBS Act”). We will remain an emerging growth company until the earlier of (i) December 31, 2026, the last day of the fiscal year following the fifth anniversary of the date of the ROC initial public offering; (ii) the last day of the fiscal year in which we have total annual gross revenues of \$1.235 billion or more; (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable Securities Act, and Exchange Commission (“SEC”) rules.

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We expect that we will remain an emerging growth company for the foreseeable future but cannot retain our emerging growth company status indefinitely and will no longer qualify as modified by an emerging growth company on or before December 31, 2026. References herein to “emerging growth company” have the meaning associated with it in the JOBS Act. As such,

For so long as we remain an emerging growth company, we are eligible permitted and intend to take advantage of certain rely on exemptions from various reporting specified disclosure requirements that are applicable to other public companies that are not “emerging emerging growth companies” including, but not limited companies. These exemptions include:

- being permitted to provide only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- not being required to comply with the independent registered public accounting requirement of auditor attestation of our internal controls over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm attestation requirements of Section 404 of rotation or a supplement to the Sarbanes-Oxley Act, auditor’s report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation in our periodic reports compensation; and proxy statements, and exemptions from the requirements of holding
- not being required to hold a non-binding nonbinding advisory vote on executive compensation and stockholder shareholder approval of any golden parachute payments not previously approved. If some investors find

Additionally, as an emerging growth company and smaller reporting company our securities less attractive status as such carries various unique risks such as the risk that our financial statements may not be comparable to those of other public companies, and the risk that we will not be required to provide an assessment of the effectiveness of our internal controls over financial reporting until our second annual report following our initial public offering.

For as long as we continue to be an emerging growth company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result there of that classification. We have taken advantage of certain of those reduced reporting burdens in these financial statements. Accordingly, the information contained herein may be a less active trading market for our securities and different than the prices of our securities may be more volatile.

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In addition, Section 107 of the JOBS Act also provides that an “emerging An emerging growth company” company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, This allows an “emerging emerging growth company” can company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We intend have elected to take advantage of the benefits avail ourselves of this extended transition period. period and, as a result, we will not be required to adopt new or revised accounting standards on the dates on which adoption of such standards is required for other public reporting companies.



We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the December 6, 2026, (b) in which we have total annual gross revenue of at least \$1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30<sup>th</sup>, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period.

Additionally, we are also a “smaller reporting company” as defined in Rule 10(f)(1) 12b-2 of Regulation S-K. Smaller reporting companies may the Exchange Act, and have elected to take advantage of certain reduced of the scaled disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a available for smaller reporting company until the last day companies.

***The lack of availability of the fiscal year in which: (1) tools we purchase to rent to our customers and inflation may increase our cost of operations beyond what we can recover through price increases.***

Our ability to source tools, such as drill collars, stabilizers, crossover subs, wellbore conditioning tools, drill pipe, heavy water drill pipe and tubing, at reasonable cost is critical to our ability to successfully compete. Due to a shortage of steel caused primarily by production disruptions during the market value COVID-19 pandemic and increased demand as economies rebounded, steel and assembled component prices have been and continue to be elevated. Our business and results of operations may be adversely affected by our common stock held by non-affiliates equaled or exceeded \$250 million as inability to manage rising costs and the availability of the end tools that we rent to our customers. Additionally, freight costs, specifically ocean freight costs, have risen significantly due to a number of factors including, but not limited to, a scarcity of shipping containers, congested seaports, a shortage of commercial drivers, capacity constraints on vessels or lockdowns in certain markets. We cannot assure you that we will be able to continue to purchase and move these tools on a timely basis or at commercially viable prices, nor can we be certain of the impact of changes to tariffs and future legislation that may impact trade with China or other countries. Should our current suppliers be unable to provide the necessary tools or otherwise fail to deliver such tools timely and in the quantities required, resulting delays in the provision of rentals to our customers could have a material adverse effect on our business, results of operations and cash flows.

The United States has recently experienced the highest inflation in decades primarily due to supply-chain issues, a shortage of labor and a build-up of demand for goods and services. The most noticeable adverse impact to our business has been increased freight, materials and vehicle-related costs as well as higher salaries and wages. To date, we do not believe that inflation has had a material impact on our financial condition or results of operations because we have been able to increase the prices we receive from our

customers. We cannot be sure how long elevated inflation rates will continue. We cannot be confident that all costs will return to the lower levels experienced in prior June 30 years even as the rate of inflation abates. Our business and results



of operations may be adversely affected by these rising costs to the extent we are unable to recoup them from our customers.

**Delays in obtaining, or (2) inability to obtain or renew, permits or authorizations by our annual revenues equaled customers for their operations could impair our business.**

Our customers are required to obtain permits or exceeded \$100 million during authorizations from one or more governmental agencies or other third parties to perform drilling and completion activities, including hydraulic fracturing. Such permits or approvals are typically required by state agencies but can also be required by federal and local governmental agencies or other third parties. The requirements for such completed fiscal year permits or authorizations vary depending on the location where such drilling and completion activities will be conducted. As with most permitting and authorization processes, there is a degree of uncertainty as to whether a permit will be granted, the time it will take for a permit or approval to be issued and the market value of our common stock held by non-affiliates equaled or exceeded \$700 million as of the prior June 30<sup>th</sup>.

### Financial Position

With funds available for an initial business combination in the amount of approximately \$213,481,290 as of December 31, 2022, before fees and expenses associated with our initial business combination, we offer a target business a variety of options such as creating a liquidity event for its owners, providing capital for the potential growth and expansion of its operations or strengthening its balance sheet by reducing its debt or leverage ratio. This amount assumes no redemptions conditions which may be imposed in connection with the granting of the permit. In some jurisdictions, certain regulatory authorities have delayed or suspended the issuance of permits or authorizations while the potential environmental impacts associated with issuing such permits can be studied and appropriate mitigation measures evaluated.

In Texas, rural water districts have begun to impose restrictions on water use and may require permits for water used in drilling and completion activities. In addition, in January 2021, President Biden indefinitely suspended new oil and natural gas leases on public lands or in offshore waters pending completion of a stockholder vote comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Although the moratorium was enjoined nationwide in June 2021, and again in August 2022 after the U.S. Court of Appeals for the Fifth Circuit vacated the June 2021 injunction, the Biden Administration may take further actions to limit new oil and natural gas leases.

In November 2021, the Department of the Interior completed its review and issued a report on the federal oil and gas leasing program. The Department of the Interior's report recommends several changes to federal leasing practices, including changes to royalty payments, bidding and bonding requirements. The effects of this report or other initiatives to reform the federal leasing process could result in additional restrictions or limitations on the issuance of federal leases and permits for drilling on public lands. Permitting, authorization or renewal delays, the inability to obtain new permits or the revocation of current permits could impact our customers' operations and cause a proposal to approve loss of revenue and potentially have a materially adverse effect on our business, combination. Because results of operations and cash flows.

**Competition within the oil and gas drilling tool rental industry may adversely affect our ability to market our services.**

The oil and gas drilling tool rental tool industry is highly competitive and fragmented. The number of rental tool companies active in a given market may exceed the corresponding demand therefor, which could result in active price competition. Some oil and gas drilling companies prioritize rental prices when choosing to contract with a rental tool company, which may further increase competition based primarily on price. In addition, adverse market conditions lower demand for drilling equipment, which results in excess equipment and lower utilization rates. If market conditions in our operating areas deteriorate from current levels or if adverse market conditions persist, the prices we are able to charge and utilization rates may decline. Moreover, our customers may choose to purchase some or all of the tools that they typically rent from us, thereby reducing the volume of business that we conduct with such customers. Any significant future increase in overall market capacity for the rental equipment or services that we offer could adversely affect our business, results of operations and cash flows.

***We may fail to fully execute, integrate, or realize the benefits expected from acquisitions, which may require significant management attention, disrupt our business and adversely affect our results of operations.***

As part of our business strategy and to remain competitive, we continually evaluate acquiring or making investments in complementary companies, products or technologies. We may not be able to find suitable acquisition candidates or complete such acquisitions on favorable terms. We may incur significant expenses, divert employee and management time and attention from other business-related tasks and our initial organic strategy and incur other unanticipated complications while engaging with potential target companies where no transaction is eventually completed.

If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals or expected growth, and any acquisitions we complete could be viewed negatively by our customers, or we could experience unexpected competition from market participants. Any integration process may require significant time and resources. We may not be able to manage the process successfully and may experience a decline in our profitability as we incur expenses prior to fully realizing the benefits of the acquisition. We could also expend significant cash and incur acquisition related costs and other unanticipated liabilities associated with the acquisition, the product or the technology, such as contractual obligations, potential security vulnerabilities of the acquired company and its products and services and potential intellectual property infringement. In addition, any acquired technology or

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product may not comply with legal or regulatory requirements and may expose us to regulatory risk and require us to make additional investments to make them compliant.

We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges and tax liabilities. We could become subject to legal claims following an acquisition or fail to accurately forecast the potential impact of any claims. Any of these issues could have a material adverse impact on our business combination using and results of operations.

***New technology may cause us to become less competitive.***

New technology that enhances the functionality, performance reliability and design of downhole drilling tools currently on the market may become prevalent in the OFS industry. We may face difficulty obtaining these new tools for the purpose of renting them to our customers. Although we believe our fleet of rental equipment currently gives us a competitive advantage, if competitors develop fleets that are more technically advanced than ours, we may lose market share or be placed at a competitive disadvantage. Further, we may face competitive pressure to acquire certain new tools at a substantial cost. Some of our competitors have greater financial, technical and personnel resources that may allow them to enjoy various competitive advantages in the acquisition of new tools. We cannot be certain that we will be able to continue to acquire new tools or convert our existing tools to meet new performance requirements. Such an inability may have a material adverse effect on our business, results of operations and cash **debt** flows, including a reduction in the value of assets, and the rates that may be charged for their rental.

***We rent tools used in the drilling of oil and gas wells. This equipment may subject us to liability, including claims for personal injury, property damage and environmental contamination, or **equity securities**, reputational harm if it fails to perform to specifications.***

We rent tools used in oil and gas exploration, development and production. Some of these tools are designed to operate in high-temperature and/or high-pressure environments, and some tools are designed for use in hydraulic fracturing operations. Because of applications to which our tools are exposed, particularly those involving high pressure environments, a failure of such tools, or a **combination** failure of our customers to maintain or operate the **foregoing**, we have the flexibility to use the most efficient combination that will allow us to tailor the consideration to be paid tools properly, could cause damage to the **target** tools, damage to the property of customers and others, personal injury and environmental contamination and could lead to a variety of claims against us or reputational harm that could have an adverse effect on our business, results of operations and cash flows.

We indemnify our customers against certain claims and liabilities resulting or arising from our provision of goods or services to **fit its needs and desires**. However, there can be no assurance it will be available to us.

#### **Sources of Target Businesses**

Target business candidates may be brought to our attention from various unaffiliated sources, including investment bankers, venture capital funds, private equity groups, leveraged buyout funds, management buyout funds and other members of the financial community. Target businesses may be brought to our attention by such unaffiliated sources as a result of being solicited by us through calls or mailings. These sources also may introduce us to target businesses in which they think we may be interested on an unsolicited basis, since many of these sources will have read our prospectus for our initial public offering and know what types of businesses we are targeting. Our officers and directors, as well as their affiliates, also may bring to our attention target business candidates that they become aware of through their business contacts as a result of formal or informal inquiries or discussions they may have, as well as attending trade shows or conventions. **them**. In addition, we rely on customer indemnifications, generally, and third-party insurance as part of our risk mitigation strategy. However, our insurance may **receive a number of proprietary deal flow opportunities that would not otherwise necessarily** be adequate to cover our liabilities. In addition, our customers may be unable to satisfy indemnification claims against them. Further, insurance companies may refuse to honor their policies, or insurance may not generally be available in the future, or if available, premiums may not be commercially justifiable. We could incur substantial liabilities and damages that are either not covered by insurance or that are in excess of policy limits, or incur liability at a time when we are not able to obtain liability insurance. Such potential liabilities could have a material adverse effect on our business, results of operations and cash flows.

***Our operations, and those of our customers, are subject to hazards inherent in the oil and gas industry, which could expose us, and our customers, to substantial liability and cause us to lose substantial revenue.***

Risks inherent in our industry include the risks of equipment defects, installation errors, the presence of multiple contractors at the wellsite over which we have no control, vehicle accidents, fires, explosions, blowouts, surface cratering, uncontrollable flows of gas or well fluids, pipe or pipeline failures, abnormally pressured formations and various environmental hazards such as oil spills and releases of, and exposure to, hazardous substances. For example, our operations are subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives. Both we and our customers are subject to these risks.

The occurrence of any of these events could result in substantial losses to us as a result or to our customers due to injury or loss of the business relationships life, severe damage to or destruction of our officers property, natural resources and directors. We may engage the services of professional firms equipment, pollution or other individuals that specialize environmental damage, clean-up responsibilities, regulatory investigations and penalties, suspension of operations and repairs required to resume operations. The cost of managing such risks may be significant. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

Should these risks materialize for us, our customers may elect not to rent our tools or utilize our services if they view our environmental or safety record as unacceptable, which could cause us to lose customers and substantial revenues. Should these risks materialize for our customers, they may also suffer similar negative consequences with respect to their own customers and clients. If

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this were to happen, our customers may no longer be in a position to do business acquisitions in which event with us, thereby adversely affecting our business, results of operations and cash flows.

Our insurance may not be adequate to cover all losses or liabilities we may pay a finder's fee, consulting fee or other compensation to be determined in an arm's length negotiation based on the terms of the transaction. We will engage a finder only to the extent our management determines that the use of a finder suffer. Also, insurance may bring opportunities to us that may not otherwise no longer be available to us, or if finders approach us on an unsolicited basis with a potential transaction its availability may be at premium levels that our management determines is in our best interest to pursue. Payment of finder's fees is customarily tied to completion do not justify its purchase. The occurrence of a transaction, in which case any such fee will be paid out of the funds held in the trust account. Although some of our officers and directors may enter into employment or consulting agreements with the acquired business following our initial business combination, the presence or absence of any such arrangements will not be used as significant uninsured claim, a criterion in our selection process of an acquisition candidate.

We are not prohibited from pursuing an initial business combination with a company that is affiliated with our sponsor, officers or directors. In the event we seek to complete our initial business combination with such a company, we, or a committee of independent directors, would obtain an opinion from an independent investment banking firm or another independent entity that commonly renders valuation opinions on the type of target business we seek to acquire that such an initial business combination is fair to our unaffiliated stockholders from a financial point of view. Additionally, pursuant to Nasdaq rules, any initial business combination must be approved by a majority of our independent directors.

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### **Selection of a Target Business and Structuring of a Business Combination**

Subject to the requirement that our initial business combination must be with one or more target businesses or assets having an aggregate fair market value of at least 80% of the assets held in the trust account (excluding any taxes payable) at the time of the agreement to enter into such initial business combination, our management have virtually unrestricted flexibility in identifying and selecting one or more prospective target businesses. In any case, we will only consummate an initial business combination in which we become the majority stockholder of the target (or control the target through contractual arrangements in limited circumstances for regulatory compliance purposes as discussed below) or are otherwise not required to register as an investment company under the Investment Company Act or to the extent permitted by law we may acquire interests in a variable interest entity, in which we may have less than a majority of the voting rights in such entity, but in which we are the primary beneficiary. To the extent we effect our initial business combination with a company or business that may be financially unstable or in its early stages of development or growth (such as a company that has begun operations but is not yet at the stage of commercial manufacturing and sales), we may be affected by numerous risks inherent in such company or business. Although our management will endeavor to evaluate the risks inherent in a particular target business, we may not properly ascertain or assess all significant risk factors.

In evaluating a prospective target business, we have conducted and will continue to conduct a thorough due diligence review that will encompass, among other things, meetings with incumbent management and employees, document reviews, interviews of customers and suppliers, inspection of facilities, as well as a review of financial and other information which will be made available to us.

The time required to select and evaluate a target business and to structure and complete our initial business combination, and the costs associated with this process, are not currently ascertainable with any degree of certainty. Any costs incurred with respect to the identification and evaluation of a prospective target business with which a business combination is not ultimately completed will result in our incurring losses and will reduce the funds we can use to

complete another business combination. We will not pay any finders or consulting fees to members of our management team, or any of their respective affiliates, for services rendered to or in connection with our initial business combination.

### **Fair Market Value of Target Business or Businesses**

The target business or businesses or assets with which we effect our initial business combination must have an aggregate fair market value of at least 80% of the assets held in the trust account (excluding any taxes payable) at the time of the agreement to enter into such initial business combination. If we acquire less than 100% of one or more target businesses in our initial business combination, the portion of such business or businesses that is owned or acquired is what will be valued for purposes of the 80% fair market value test, provided that in the event that the business combination involves more than one target business, the 80% fair market value test will be based on the aggregate value of all of the target businesses and we will treat the target businesses together as the initial business combination for purposes of a tender offer or for seeking stockholder approval, as applicable. However, we will always acquire at least a controlling interest in a target business. The aggregate fair market value of a portion of a target business or assets will likely be calculated by multiplying the fair market value of the entire business by the percentage of the target we acquire. We may seek to consummate our initial business combination with an initial target business or businesses with a collective fair market value claim in excess of the balance in the trust account. In order to consummate such an initial business combination, insurance coverage limits maintained by us or a claim at a time when we may issue a significant amount of debt, equity or other securities to the sellers of such business and/or seek to raise additional funds through a private offering of debt, equity or other securities. If we issue securities in order to consummate such an initial business combination, our stockholders could end up owning a minority of the combined company's voting securities as there is no requirement that our stockholders own a certain percentage of our company (or, depending on the structure of the initial business combination, an ultimate parent company that may be formed) after our business combination.

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The fair market value of a target business or businesses or assets will be determined by our board of directors based upon standards generally accepted by the financial community, such as actual and potential gross margins, the values of comparable businesses, earnings and cash flow, book value, enterprise value and, where appropriate, upon the advice of appraisers or other professional consultants. Investors will be relying on the business judgment of our board of directors, which will have significant discretion in choosing the standard used to establish the fair market value of a particular target business. If our board of directors is are not able to independently determine that the target business or assets has a sufficient fair market value to meet the threshold criterion, we will obtain an opinion from an unaffiliated, independent investment banking firm or another independent entity that commonly renders valuation opinions on the type

of target business we seek to acquire with respect to the satisfaction of such criterion. Notwithstanding the foregoing, unless we consummate a business combination with an affiliated entity, we are not required to obtain an opinion from an independent investment banking firm, or another independent entity that commonly renders valuation opinions on the type of target business we seek to acquire, that the price we are paying is fair to our stockholders. Based on the valuation analysis of our management and board of directors, we have determined that the fair market value of Drilling Tools was substantially in excess of 80% of the funds in the trust account and that the 80% test was therefore satisfied.

#### **Lack of Business Diversification**

For an indefinite period of time after consummation of our initial business combination, the prospects for our success may depend entirely on the future performance of a single business. Unlike other entities that have the resources to complete business combinations with multiple entities in one or several industries, it is probable that we will not have the resources to diversify our operations and mitigate the risks of being in a single line of business. By consummating our initial business combination with only a single entity, our lack of diversification may:

- subject us to negative economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact on the particular industry in which we operate after our initial business combination, and
- cause us to depend on the marketing and sale of a single product or limited number of products or services.

#### **Limited Ability to Evaluate the Target's Management Team**

Although we closely scrutinize the management of a prospective target business, including the management team of Drilling Tools, when evaluating the desirability of effecting our initial business combination with that business, and plan to continue to do so if the Drilling Tools Business Combination is not consummated and we seek other business combination opportunities, our assessment of the target business' management may not prove to be correct. The future role of members of our management team, if any, in the target business, cannot presently be stated with any certainty. Consequently, members of our management team may not become a part of the target's management team, and the future management may not have the necessary skills, qualifications or abilities to manage a public company. Further, it is also not certain whether one or more of our directors will remain associated in some capacity with us following our initial business combination. Moreover, members of our management team may not have significant experience or knowledge relating to the operations of the particular target business. Our key personnel may not remain in senior management or advisory positions with the combined company. The determination as to whether any of our key personnel will remain with the combined company will be made at the time of our initial business combination.

Following our initial business combination, we may seek to recruit additional managers to supplement the incumbent management of the target business. We may not have the ability to recruit additional managers, or that additional managers will have the requisite skills, knowledge or experience necessary to enhance the incumbent management.



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### Stockholders May Not Have the Ability to Approve an Initial Business Combination

We may conduct redemptions without a stockholder vote pursuant to the tender offer rules of the SEC. However, we will seek stockholder approval if it is required by law or applicable stock exchange rule (as is the case in the Drilling Tools Business Combination), or we may decide to seek stockholder approval for business or other legal reasons. Presented in the table below is a graphic explanation of the types of initial business combinations we may consider and whether stockholder approval is currently required under Delaware law for each such transaction.

Type of Transaction	Whether Stockholder Approval is Required
Purchase of assets	No
Purchase of stock of target not involving a merger with the company	No
Merger of target into a subsidiary of the company	No
Merger of the company with a target	Yes

Under Nasdaq's listing rules, stockholder approval would be required for our initial business combination if, for example:

- we issue shares of common stock that will be equal to or in excess of 20% of the number of shares of our common stock then outstanding;
- any of our directors, officers or substantial stockholders (as defined by Nasdaq rules) has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the target business or assets to be acquired or otherwise and the present or potential issuance of common stock liability insurance could result in an increase in outstanding common shares or voting power of 5% or more; or
- the issuance or potential issuance of common stock will result in our undergoing a change of control.

In connection with any proposed business combination, we will either (1) seek stockholder approval of our initial business combination at a meeting called for such purpose at which public stockholders may seek to redeem their public shares, regardless of whether they vote for or against the proposed business combination, into their *pro rata* share of the aggregate amount then on deposit in the trust account (net of taxes payable) or (2) provide our public stockholders with the opportunity to sell their public shares to us by means of a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their *pro rata* share of the aggregate amount then on deposit in the trust account (net of taxes payable), in each case subject to the limitations described herein.

If we determine to engage in a tender offer, such tender offer will be structured so that each stockholder may tender any or all of his, her or its public shares rather than some *pro rata* portion of his, her or its shares. The decision as to whether we will seek stockholder approval of a proposed business combination or will allow stockholders to sell their shares to us in a tender offer will be made by us based on a variety of factors such as the timing of the transaction and



whether the terms of the transaction would otherwise require us to seek stockholder approval. If we so choose and we are legally permitted to do so, we have the flexibility to avoid a stockholder vote and allow our stockholders to sell their shares pursuant to Rule 13e-4 and Regulation 14E of the Exchange Act which regulate issuer tender offers. In that case, we will file tender offer documents with the SEC which will contain substantially the same financial and other information about the initial business combination as is required under the SEC's proxy rules. We will consummate our initial business combination only if we have net tangible assets of at least \$5,000,001 upon such consummation and, solely if we seek stockholder approval, a majority of the issued and outstanding shares of common stock voted are voted in favor of the business combination.

We chose our net tangible asset threshold of \$5,000,001 to ensure that we would avoid being subject to Rule 419. However, if we seek to consummate an initial business combination with a target business that imposes any type of working capital closing condition or requires us to have a minimum amount of funds available from the trust account upon consummation of such initial business combination, our net tangible asset threshold may limit material adverse effect on our ability to consummate such initial business combination (as we may be required to have a lesser number of operations and on our business, results of shares redeemed or sold to us) operations, financial condition and may force us to seek third party financing which may not be available on terms acceptable to us or at all. As a result, cash flows. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our business, results of operations and cash flows.

***Oilfield anti-indemnity provisions enacted by many states may restrict or prohibit a party's indemnification of us.***

We typically enter into agreements with our customers governing the provision of our services, which usually include certain indemnification provisions for losses resulting from operations. Such agreements may require each party to indemnify the other against certain claims regardless of the negligence or other fault of the indemnified party. However, many states place limitations on contractual indemnity agreements, particularly agreements that indemnify a party against the consequences of its own negligence. Furthermore, certain states, including Louisiana, New Mexico, Texas and Wyoming, have enacted statutes generally referred to as "oilfield anti-indemnity acts" expressly prohibiting certain indemnity agreements contained in or related to OFS agreements. Such oilfield anti-indemnity acts may restrict or void a party's indemnification of us, which could have a material adverse effect on our business, results of operations and cash flows.

***Restrictive covenants in the Credit Facility Agreement could limit our growth and our ability to finance our operations, fund our capital needs, respond to changing conditions and engage in other business activities that may be in our best interests.***

The Amended and Restated Revolving Credit, Security and Guaranty Agreement among Drilling Tools International, Inc., certain of its subsidiaries, DTIC and PNC Bank, National Association, dated June 20, 2023 ("Credit Facility Agreement") imposes operating and financial restrictions. These restrictions limit our ability to, among other things, subject to permitted exceptions:

- incur additional indebtedness;
- make investments or loans;
- create liens;
- consummate mergers and similar fundamental changes;

- declare and pay dividends and distributions; and
- enter into certain transactions with affiliates.

The restrictions contained in the Credit Facility Agreement could:

- limit the ability to plan for, or react to, market conditions, to meet capital needs or otherwise to restrict our activities or business plan; and
- adversely affect the ability to finance our operations or to engage in other business activities that would be in our interest.

The Credit Facility Agreement requires compliance with a specified financial ratio. The ability to comply with this ratio may be affected by events beyond our control and, as a result, this ratio may not be met in circumstances when it is tested. This financial ratio restriction could limit the ability to obtain future financings, make needed capital expenditures, withstand a continued downturn in our business or a downturn in the economy in general or otherwise conduct necessary corporate activities. Declines in oil and natural gas prices, and therefore a reduction in our customers' activity, could result in failure to meet one or more of the covenants under the Credit Facility Agreement which could require refinancing or amendment of such initial business combination obligations resulting in the payment of consent fees or higher interest rates, or require a capital raise at an inopportune time or on terms not favorable.

A breach of any of these covenants or the inability to comply with the required financial ratios or financial condition tests could result in a default under the Credit Facility Agreement. A default under the Credit Facility Agreement, if not cured or waived, could result in acceleration of all indebtedness outstanding thereunder.

***We may incur indebtedness to execute our long-term growth strategy, which may reduce our profitability.***

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Maintaining a relevant rental fleet requires significant capital. We may require additional capital in the future to maintain and refresh our fleet. For the years ended December 31, 2023 and 2022, we spent \$44 million, and \$25 million, respectively, to purchase property, plant and equipment. Historically, we have financed these investments through cash flows from operations and external borrowings. These sources of capital may not be available to us in the future. If we are unable to fund capital expenditures for any reason, we may not be able to locate another suitable target within capture available growth opportunities or effectively maintain our existing assets and any such failure could have a material adverse effect on our business, results of operations and financial condition. If we incur additional indebtedness, our profitability may be reduced.

***Political, regulatory, economic and social disruptions in the applicable time period, if at all. Public stockholders may therefore have countries in which we conduct business could adversely affect our business or results of operations.***

In addition to wait until our facilities in the end United States, we operate stocking points in Scotland and Germany and facilities in Canada and the United Arab Emirates. Additionally, we rent downhole drilling tools in Ukraine to Ukraine-

based directional drilling companies and drilling contractors through Denimex, which acts as our representative in Ukraine. Instability and unforeseen changes in any of the Combination Period markets in order which we conduct business could have an adverse effect on the demand for, or supply of, the products that we rent and the services that we provide, which in turn could have an adverse effect on our business, results of operations and cash flows. These factors include, but are not limited to:

- nationalization and expropriation;
- potentially burdensome taxation;
- inflationary and recessionary markets, including capital and equity markets;
- civil unrest, labor issues, political instability, natural disasters, terrorist attacks, cyber-terrorism, military activity and wars;
- outbreaks of pandemic or contagious diseases;
- supply disruptions in key oil producing countries;
- tariffs, trade restrictions, trade protection measures or price controls;
- foreign ownership restrictions;
- import or export licensing requirements;
- restrictions on operations, trade practices, trade partners and investment decisions resulting from domestic and foreign laws and regulations;
- changes in, and the administration of, laws and regulations;
- inability to repatriate income or capital;
- reductions in availability of qualified personnel;
- development and implementation of new technologies;
- foreign currency fluctuations or currency restrictions; and
- fluctuations in the interest rate component of forward foreign currency rates.

***We may not be able to receive manage our growth successfully.***

The growth of our operations will depend upon our ability to expand our customer base in our existing markets and to enter new markets in a *pro rata share* timely manner at reasonable costs, organically or through acquisitions. In order for us to recover expenses incurred in entering new markets and obtaining new customers, we must attract and retain customers on economic terms and for extended periods. Customer growth depends on several factors outside of our control, including economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity. We may experience difficulty managing our growth, integrating new customers and employees, and complying with applicable regulations. Expanding our operations also may require continued development of our operating and financial controls and may place additional stress on our management and operational resources. We may be unable to manage our growth and development successfully.

***A failure of our information technology infrastructure and cyberattacks could adversely impact us.***

We depend on our IT systems, in particular COMPASS, for the efficient operation of our business. Accordingly, we rely upon the capacity, reliability and security of our IT hardware and software infrastructure and our ability to expand and update this infrastructure in response to our changing needs. Despite our implementation of security measures, our systems are vulnerable to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. Moreover, we cannot guarantee that COMPASS, or features thereof, are not the protected intellectual property of third parties. If this is the case, these third parties may seek to protect their respective intellectual property rights, thereby hindering, or completely eliminating, our ability to use COMPASS and leverage its benefits.

Additionally, we rely on third parties to support the operation of our IT hardware and software infrastructure, and in certain instances, utilize web-based applications. We also provide proprietary and client data to certain third parties, and such third parties may be the subject of IT failures or cyberattacks. The failure of our IT systems or those of our vendors or third parties to whom we disclose certain information to perform as anticipated for any reason or any significant breach of security could disrupt our business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential and proprietary information, reputational harm, increased overhead costs and loss of important information, which could have a material adverse effect on our business and results of operations. In addition, we may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

***Our results of operations and financial condition could be negatively impacted by changes in accounting principles.***

The accounting for our business is subject to change based on the evolution of our business model, interpretations of relevant accounting principles, enforcement of existing or new regulations, and changes in policies, rules, regulations, and interpretations of accounting and financial reporting requirements of the trust account.

**Table Adverse and unusual weather conditions may affect our operations.**

Our operations may be materially affected by severe weather conditions in areas where we operate. Severe weather, such as hurricanes, high winds and seas, blizzards and extreme temperatures may cause evacuation of Contents personnel, curtailment of services and suspension of operations, inability to deliver tools to customers in accordance with contract schedules and loss of or damage to our tools and facilities. In addition, variations from normal weather patterns can have a significant impact on demand for oil and natural gas, thereby reducing demand for our tools and services.

## Risks Related to Legal and Regulatory Matters

**Our initial stockholders operations require us to comply with various domestic and international regulations, violations of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.**

We are exposed to a variety of federal, state, local and international laws and regulations relating to matters such as environmental, workplace, health and safety, labor and employment, customs and tariffs, export and re-export controls, economic sanctions, currency exchange, bribery and corruption and taxation. These laws and regulations are complex, frequently change and have tended to become more stringent over time. They may be adopted, enacted, amended, enforced or interpreted in such a manner that the incremental cost of compliance could adversely impact our business, results of operations and cash flows.

In addition to our U.S. operations, we operate stocking points in Scotland and Germany and facilities in Canada and the United Arab Emirates. Additionally, we rent downhole drilling tools in Ukraine to Ukraine-based directional drilling companies and drilling contractors through Denimex, which acts as our representative in Ukraine. Our operations outside of the United States require us to comply with numerous anti-bribery and anti-corruption regulations. The U.S. Foreign Corrupt Practices Act, among others, applies to us and our officers operations. Our policies, procedures and directors have agreed: programs may not always protect us from reckless or criminal acts committed by our employees or agents, and severe criminal or civil sanctions may be imposed as a result of violations of these laws. We are also subject to the risks that our employees and agents outside of the United States may fail to comply with applicable laws.

- (1) to vote any shares of common stock owned by them in favor of any proposed business combination;
- (2) not to redeem any shares of common stock in connection with a stockholder vote to approve a proposed initial business combination; and
- (3) not sell any shares of common stock in any tender in connection with a proposed initial business combination.

In addition, we purchase tools for use in the United States, Canada, the United Kingdom, Germany, the United Arab Emirates and Ukraine for use in such countries. Most movement of these tools involves imports and exports. As a result, compliance with multiple trade sanctions, embargoes and import/export laws and regulations pose a constant challenge and risk to us since a portion of our business is conducted outside of the United States through our subsidiaries. Our failure to comply with these laws and regulations could materially affect our business, results of operations and cash flows.

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## **Compliance with environmental laws and regulations may adversely affect our business and results of operations.**

Environmental laws and regulations in addition the United States and foreign countries affect the services we provide and the equipment we rent and service, as well as the facilities we operate. Such laws and regulations also impact the oil and

gas industry more broadly, thereby impacting demand for our products and equipment. For example, we may be affected by such laws as the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Clean Water Act, the Clean Air Act and the Occupational Safety and Health Act of 1970. Further, our customers may be subject to a range of laws and regulations governing hydraulic fracturing, drilling and greenhouse gas emissions.

We are required to invest financial and managerial resources to comply with environmental laws and regulations and believe that we will continue to be required to do so in the future. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial and mitigation obligations, and the issuance of orders enjoining operations. These laws and regulations, as well as the finalizing of other new laws and regulations affecting our operations or the exploration and production and transportation of crude oil and natural gas by our customers, could adversely affect our business and operating results by increasing our costs of compliance, increasing the costs of compliance and costs of doing business for our customers, limiting the demand for our products and services, or restricting our operations. Increased regulation or a move away from the use of fossil fuels caused by additional regulation could also reduce demand for our products and services.

***Existing or future laws and regulations related to greenhouse gases and climate change and related public and governmental initiatives and additional compliance obligations could have a material adverse effect on our business, results of operations, prospects, and financial condition.***

Changes in environmental requirements related to greenhouse gas emissions, climate change, or alternative energy sources may negatively impact demand for our products and services. For example, oil and natural gas E&P may decline as a result of environmental requirements or laws, regulations and policies promoting the use of alternative forms of energy, including land use policies and other actions to restrict oil and gas leasing and permitting in response to environmental and climate change concerns. In January 2021, the Acting Secretary of the Department of the Interior issued an order suspending new leasing and drilling permits for fossil fuel production on federal lands and waters for 60 days. President Biden then issued an executive order indefinitely suspending new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Several states filed lawsuits challenging the suspension and in June 2021, a judge in the U.S. District Court for the Western District of Louisiana issued a nationwide temporary injunction blocking the suspension. The Department of the Interior successfully appealed the U.S. District Court's ruling in August 2022, but the moratorium was again enjoined that month. However, the Biden Administration may take further actions to limit new oil and natural gas leases. Further, to the **founder shares** extent that the Department of Interior's report or other initiatives to reform federal leasing practices result in the development of additional restrictions on drilling, limitations on the availability of leases, or restrictions on the ability to obtain required permits, it could impact our customers' opportunities and **private shares**, reduce demand for our products and services in the aforementioned areas.

Federal, state and local agencies continue to evaluate climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we **would need only 7,454,501**, conduct business. For example, the United States Environmental Protection Agency has proposed new methane emissions regulations for certain oil and gas facilities, while the Inflation Reduction Act of 2022 established a charge on methane emissions above certain limits from such facilities. Because our business depends on the level of activity in the oil and gas industry, existing or **approximately 36%**, future laws and regulations related to greenhouse gases could have a negative impact on our business if such laws or regulations reduce demand for oil and natural gas. Likewise, such laws or regulations may

result in additional compliance obligations with respect to the release, capture, sequestration and use of the 20,700,000 public shares sold in greenhouse gases. These additional obligations could increase our initial public offering to be voted in favor costs and have a material adverse effect on our business, results of an initial business combination, assuming that all issued operations, prospects and outstanding shares financial condition.

Many of our common stock are voted customers utilize hydraulic fracturing in their operations. Environmental concerns have been raised regarding the potential impact of hydraulic fracturing on such proposal.

See “Drilling Tools Business Combination” above for more information underground water supplies and seismic activity. These concerns have led to several regulatory and governmental initiatives in the United States to restrict the hydraulic fracturing process, which could have an adverse impact on the requisite approvals needed for the Drilling Tools Business Combination.

### Permitted Purchases of our Securities

In the event we seek stockholder approval of our initial business combination and customers’ production activities. Although we do not conduct redemptions in connection with our initial business combination pursuant hydraulic fracturing, increased regulation and attention given to the tender offer rules, hydraulic fracturing process could lead to greater opposition to oil and gas production activities using hydraulic fracturing techniques. In December 2021, the Texas Railroad Commission, which regulates the state’s oil and gas industry, suspended the use of deep wastewater disposal wells in four oil-producing counties in West Texas. The suspension is intended to mitigate earthquakes thought to be caused by the injection of waste fluids, including saltwater, that are a byproduct of hydraulic fracturing into disposal wells. The ban will require oil and gas production companies to find other options to handle the wastewater, which may include piping or trucking it longer distances to other locations not under the ban. The finalization of new laws or regulations at the federal, state, local or foreign level imposing reporting obligations on, or otherwise limiting, delaying or banning, the hydraulic fracturing process or

other processes on which hydraulic fracturing and subsequent hydrocarbon production relies, such as water disposal, could make it more difficult to complete oil and natural gas wells. Further, it could increase our sponsor, directors, officers, or their respective affiliates may purchase shares or rights in privately negotiated transactions or in customers’ costs of compliance and doing business, and otherwise adversely affect the open market either prior hydraulic fracturing services they perform, which could negatively impact demand for our products.

Increasing attention by the public and government agencies to or following climate change and Environmental, Social and Governance (“ESG”) matters could also negatively impact demand for our products and services and the completion products of our initial business combination. There is no oil and gas producing customers. In recent years, increasing attention has been given to corporate activities related to ESG in public discourse and the investment community. A number of advocacy groups, both domestically and internationally, have campaigned for governmental and



private action to promote change at public companies related to ESG matters, including through the investment and voting practices of investment advisers, public pension funds, universities and other members of the investing community. These activities include increasing attention and demands for action related to climate change and energy rebalancing matters, such as promoting the use of substitutes to fossil fuel products and encouraging the divestment of fossil fuel equities, as well as pressuring lenders and other financial services companies to limit or curtail activities with fossil fuel companies. If this were to continue, it could have a material adverse effect on the number of shares such persons may purchase. However, they have no current commitments, plans or intentions to engage in such transactions and have not formulated any terms or conditions for any such transactions. In the event our sponsor, directors, officers, or their respective affiliates determine to make any such purchases at the time of a stockholder vote relating to our initial business combination, such purchases could have the effect of influencing the vote necessary to approve such transaction. None valuation of the funds Common Stock and our ability to access equity capital markets.

In addition, our business could be impacted by initiatives to address greenhouse gases and climate change and incentives to conserve energy or use alternative energy sources. For example, the Inflation Reduction Act of 2022, signed into law by President Biden in the trust account will be used August 2022, includes financial and other incentives to purchase shares increase wind and solar electric generation and encourage consumers to use these alternative energy sources. Additional similar state or rights federal initiatives to incentivize a shift away from fossil fuels could reduce demand for hydrocarbons, thereby reducing demand for our products and services and negatively impacting our business.

***Changes in such transactions. They will not make any such purchases when they tax laws or tax rates, adverse positions taken by taxing authorities and tax audits could impact our operating results.***

We are in possession of any material non-public information not disclosed to the seller or if such purchases are prohibited by Regulation M under the Exchange Act. Such a purchase may include a contractual acknowledgement that such stockholder, although still the record holder of our shares is no longer the beneficial owner thereof and therefore agrees not to exercise its redemption rights. Subsequent to the consummation of our initial public offering, we will adopt an insider trading policy which will require insiders to: (i) refrain from purchasing shares during certain blackout periods and when they are in possession of any material non-public information and (ii) to clear all trades with our legal counsel prior to execution. We cannot currently determine whether our insiders will make such purchases pursuant to a Rule 10b5-1 plan, as it will be dependent upon several factors, including but not limited to, the timing and size of such purchases. Depending on such circumstances, our insiders may either make such purchases pursuant to a Rule 10b5-1 plan or determine that such a plan is not necessary.

In the event that our sponsor, directors, officers, or their respective affiliates purchase shares in privately negotiated transactions from public stockholders who have already elected to exercise their redemption rights, such selling stockholders would be required to revoke their prior elections to redeem their shares. We do not currently anticipate that such purchases, if any, would constitute a tender offer subject to the tender offer rules under jurisdiction of numerous domestic and foreign taxing authorities. Changes in tax laws or tax rates, the Exchange Act resolution of tax assessments or a going-private transaction subject to the going-private rules under the Exchange Act; however, if the purchasers determine at the time of any such purchases that the purchases are subject to such rules, the purchasers will comply with such rules.

The purpose of such purchases would be to (i) vote such shares in favor of the business combination and thereby increase the likelihood of obtaining stockholder approval of the business combination or (ii) to satisfy a closing condition



in an agreement with a target that requires us to have a minimum net worth or a certain amount of cash at the closing of audits by various tax authorities could impact our initial business combination, where it appears that such requirement would otherwise not be met. The purpose of any such purchases of rights could be to reduce the number of rights, or underlying securities, outstanding. This may result in the completion of our initial business combination that may not otherwise have been possible.

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operating results. In addition, if such purchases are made, the public “float” of we may periodically restructure our common stock may be reduced and the number of beneficial holders of our securities may be reduced, which may make it difficult legal entity organization. If taxing authorities were to maintain or obtain the quotation, listing or trading of our securities on a national securities exchange.

Our sponsor, directors, officers, or their respective affiliates anticipate that they may identify the stockholders with whom our sponsor, directors, officers, or their respective affiliates may pursue privately negotiated purchases by either the stockholders contacting us directly or by our receipt of redemption requests submitted by stockholders following our mailing of proxy materials in connection disagree with our initial business combination. To the extent that our sponsor, directors, officers, or their respective affiliates enter into a private purchase, they would identify and contact only potential selling stockholders who have expressed their election to redeem their shares for a pro rata share of the trust account or vote against the business combination. Such persons would select the stockholders from whom to acquire shares based on the number of shares available, the negotiated price per share and such other factors as any such person may deem relevant at the time of purchase. The price per share paid in any such transaction may be different than the amount per share a public stockholder would receive if it elected to redeem its shares in connection with our initial business combination. Our sponsor, directors, officers, or their respective affiliates will only purchase shares if such purchases comply with Regulation M under the Exchange Act and the other federal securities laws.

Any purchases by our sponsor, directors, officers, or their respective affiliates who are affiliated purchasers under Rule 10b-18 under the Exchange Act will only be made to the extent such purchases are able to be made in compliance with Rule 10b-18, which is a safe harbor from liability for manipulation under Section 9(a)(2) and Rule 10b-5 of the Exchange Act. Rule 10b-18 has certain technical requirements that must be complied with in order for the safe harbor to be available to the purchaser. Our sponsor, directors, officers, or their respective affiliates will not make purchases of common stock if the purchases would violate Section 9(a)(2) or Rule 10b-5 of the Exchange Act.

See “Drilling Tools Business Combination” above for more information regarding such purchases in the Drilling Tools Business Combination.

### **Redemption Rights for Public Stockholders upon Completion of our Initial Business Combination**

We will provide our public stockholders with the opportunity to redeem all or a portion of their common stock upon the completion of our initial business combination, such as the Drilling Tools Business Combination, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account as of two business days prior to the consummation of the initial business combination, including interest (which interest will be net of taxes payable) divided by the number of then issued and outstanding public shares, subject to the limitations described herein. As of December 31, 2022, the amount in the trust account was approximately \$10.31 per public share. Our sponsor, officers and directors have entered into a letter agreement with us, pursuant to which they have agreed to waive their redemption rights with respect to their founder shares, private shares and any public shares they may hold in connection with the completion of our initial business combination.

See “Drilling Tools Business Combination” above for more information on the additional agreements entered into in connection with the Drilling Tools Business Combination.

### **Manner of Conducting Redemptions**

We will provide our public stockholders with the opportunity to redeem all or a portion of their common stock upon the completion of our initial business combination either (i) in connection with a general meeting called to approve the business combination, such as with the Drilling Tools Business Combination, or (ii) by means of a tender offer, if the Drilling Tools Business Combination is not consummated. The decision as to whether we will seek stockholder approval of a proposed business combination or conduct a tender offer will be made by us, solely in our discretion, and will be based on a variety of factors such as the timing of the transaction and whether the terms of the transaction would require us to seek stockholder approval under the law or stock exchange listing requirement. Asset acquisitions and share purchases would not typically require stockholder approval while direct mergers with our company where we do not survive and any transactions where we issue more than 20% of our issued and outstanding common stock or seek to amend our amended and restated certificate of incorporation would require stockholder approval. If we structure a business combination transaction with a target company in a manner that requires stockholder approval, we will not have discretion as to whether to seek a stockholder vote to approve the proposed business combination. We currently intend to conduct redemptions in connection with a stockholder vote unless stockholder approval is not required by applicable law or stock exchange listing requirement and we choose to

conduct redemptions pursuant to the tender offer rules of the SEC for business or other legal reasons. So long as we obtain and maintain a listing for our securities on Nasdaq, we will be required to comply with Nasdaq rules.

If stockholder approval of the transaction is required by law or stock exchange listing requirement, or we decide to obtain stockholder approval for business or other legal reasons, we will, pursuant to our amended and restated certificate of incorporation:

- conduct the redemptions in conjunction with a proxy solicitation pursuant to Regulation 14A of the Exchange Act, which regulates the solicitation of proxies, and not pursuant to the tender offer rules; and
- file proxy materials with the SEC.

We expect that a final proxy statement would be mailed to public stockholders at least 5 days prior to the stockholder vote. However, we expect that a draft proxy statement would be made available to such stockholders well in advance of such time, providing additional notice of redemption if we conduct redemptions in conjunction with a proxy solicitation. Although we are not required to do so, we currently intend to comply with the substantive and procedural requirements of Regulation 14A tax positions in connection with any stockholder vote such restructurings, our effective income tax rate could be impacted. The final determination of our income tax liabilities involves the interpretation of local tax laws, tax treaties and related authorities in each taxing jurisdiction, as well as the significant use of estimates and assumptions regarding future operations and results and the timing of income and expenses. We may be audited and receive tax assessments from taxing authorities that may result in assessment of additional taxes that are ultimately resolved with the authorities or through the courts. We believe these assessments may occasionally be based on erroneous and even if arbitrary interpretations of local tax law. Resolution of any tax matter involves uncertainties and there are no assurances that the outcomes will be favorable. If U.S. or foreign tax authorities change applicable tax laws, our overall taxes could increase, and our business, financial condition or results of operating may be adversely impacted.

***If we are unable to fully protect our intellectual property rights or trade secrets, we may suffer a loss in revenue or any competitive advantage or market share we hold, or we may incur costs in litigation defending intellectual property rights.***

While we have some patents and others pending, we do not have patents relating to many of our key processes and technology. If we are not able to maintain the confidentiality of our Nasdaq listing trade secrets, or if our competitors are able to replicate our technology or services, our competitive advantage would be diminished. We also cannot provide any assurance that any patents we may obtain in the future would provide us with any significant commercial benefit or would allow us to prevent our competitors from employing comparable technologies or processes. We may initiate litigation from time to time to protect and enforce our intellectual property rights. In any such litigation, a defendant may assert that our intellectual property rights are invalid or unenforceable. Third parties from time to time may also initiate litigation against us by asserting that our businesses infringe, impair, misappropriate, dilute or otherwise violate another party's intellectual property rights. We may not prevail in any such litigation, and our intellectual property rights may be found invalid or unenforceable or our products and services may be found to infringe, impair, misappropriate, dilute or otherwise violate the intellectual property rights of others. The results or costs of any such litigation may have an adverse effect on our business, results of operations and financial condition. Any litigation concerning intellectual property could be protracted and costly, is inherently unpredictable and could have an adverse effect on our business, regardless of its outcome.

Moreover, third parties on whom we rely for certain tools may be subject to litigation to defend their intellectual property rights. If such litigation ends adversely for the third party with whom we deal, our ability to obtain such tools could be significantly limited or restricted. This could have a material adverse effect on our business.

***As a result of plans to expand our business operations, including to jurisdictions in which tax laws may not be favorable, our obligations may change or fluctuate, become significantly more complex or become subject to greater risk of examination by taxing authorities, any of which could adversely affect our after-tax profitability and financial results.***

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Our effective tax rates may fluctuate widely in the future, particularly if our business expands domestically or internationally. Future effective tax rates could be affected by operating losses in jurisdictions where no tax benefit can be recorded under U.S. generally accepted accounting principles ("GAAP"), changes in deferred tax assets and liabilities, or changes in tax laws. Factors that could materially affect our future effective tax rates include, but are not limited to: (a) changes in tax laws or the regulatory environment, (b) changes in accounting and tax standards or practices, (c) changes in the composition of operating income by tax jurisdiction and (d) pre-tax operating results of our business.

Additionally, we are subject to significant income, withholding, and other tax obligations in the United States and may become subject to taxation in numerous additional U.S. state and local and non-U.S. jurisdictions with respect to income, operations and subsidiaries related to those jurisdictions. Our after-tax profitability and financial results could be subject to volatility or be affected by numerous factors, including (a) the availability of tax deductions, credits, exemptions, refunds and other benefits to reduce tax liabilities, (b) changes in the valuation of deferred tax assets and liabilities, if any, (c) the expected timing and amount of the release of any tax valuation allowances, (d) the tax treatment of stock-based compensation, (e) changes in the relative amount of earnings subject to tax in the various jurisdictions, (f) the potential business expansion into, or otherwise becoming subject to tax in, additional jurisdictions, (g) changes to existing intercompany structure (and any costs related thereto) and business operations, (h) the extent of intercompany transactions and the extent to which taxing authorities in relevant jurisdictions respect those intercompany transactions, and (i) the ability to structure business operations in an efficient and competitive manner. Outcomes from audits or examinations by taxing authorities could have an adverse effect on our after-tax profitability and financial condition. Additionally, the Internal Revenue Service ("IRS") and several foreign tax authorities have increasingly focused attention on intercompany transfer pricing with respect to sales of products and services and the use of intangibles. Tax authorities could disagree with our intercompany charges, cross-jurisdictional transfer pricing or other matters and assess additional taxes. If we do not prevail in any such disagreements, our profitability may be affected.

Our after-tax profitability and financial results may also be adversely affected by changes in relevant tax laws and tax rates, treaties, regulations, administrative practices and principles, judicial decisions and interpretations thereof, in each case, possibly with retroactive effect.

## Risks Related to Ownership of the Common Stock

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired, which may adversely affect investor confidence in us and, as a result, the market price of the Common Stock.***

As a public company, we are required to comply with the Sarbanes-Oxley Act, which requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We continue to refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in filings with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules, and that information required to be disclosed in reports under the Exchange Act registration is accumulated and communicated to our management, including our principal executive and financial officers.

We will continue to refine our internal control over financial reporting. We will be required to make a formal assessment of the effectiveness of our internal control over financial reporting and once we cease to be an emerging growth company, we will be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with these requirements within the prescribed time period, we have been engaging, and will continue to engage, in a process to document and evaluate our internal control over financial reporting. This process is both costly and challenging, and requires us to dedicate significant internal resources. We may also engage outside consultants and hire new employees with the requisite skillset and experience. We are developing a plan to assess and document the adequacy of our internal control over financial reporting, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. There is a risk that we will not be able to conclude, within the prescribed time period or at all, that our internal control over financial reporting is effective as required by Section 404 of the Sarbanes-Oxley Act. Moreover, our testing, or the subsequent testing by our independent registered public accounting firm, may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses.

Any failure to implement and maintain effective disclosure controls and procedures and internal control over financial reporting, including the identification of one or more material weaknesses, could cause investors to lose confidence in the accuracy and completeness of our financial statements and reports, which would likely adversely affect the market price of the Common Stock. In addition, we could be subject to sanctions or investigations by Nasdaq, the SEC and other regulatory authorities.

***The market price of the Common Stock may be volatile, which could cause the value of your investment to decline.***

The market price of the Common Stock has been and may continue to be volatile and subject to wide fluctuations depending on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our

control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in the Common Stock. Factors affecting the trading price of the Common Stock may include:

- market conditions in our industry or the broader stock market;
- actual or anticipated fluctuations in our financial and operating results;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- changes in financial estimates prepared by and recommendations provided by securities analysts concerning us or the market in general;
- the perceived success of the Merger;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- announced or completed acquisitions of businesses, commercial relationships, products, services or technologies by us or our competitors;
- changes in laws and regulations affecting our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- sales, or anticipated sales, of large blocks of the Common Stock;
- any major change in the composition of the board of directors of DTIC ("the Board") or our management;
- general economic and political conditions such as recessions, interest rates, fuel prices, trade wars, pandemics (such as COVID-19), currency fluctuations and acts of war or terrorism; and
- other risk factors listed under this "Risk Factors" section.

Broad market and industry factors may materially harm the market price of the Common Stock, regardless of our actual operating performance. The stock markets have, from time to time, experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner often unrelated to the operating performance of those companies. Shareholder activism, which could take many forms or arise in a variety of situations, has been increasing recently. Volatility in the market price of the Common Stock or other reasons may in the future cause us to become the target of securities litigation or shareholder activism. Shareholder activism or securities litigation could give rise to perceived uncertainties regarding the future of our business and it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect relationships with suppliers and other parties.

Further, although the Common Stock is currently listed on Nasdaq, an active trading market for the Common Stock may not be sustained. Accordingly, if an active trading market for these securities is not maintained, the liquidity of the Common Stock, your ability to sell your shares of the Common Stock when desired and the prices that you may obtain for your shares will be adversely affected.

***We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.***

We expect our expenditures to continue to be significant in the foreseeable future as we expand our business, and that our level of expenditures will be significantly affected by the performance of the oil and gas industry. Our future capital requirements may be uncertain and actual capital requirements may be different from those currently anticipated, as we look to expand the size of our business, both in terms of fleet size and geographic scope. We may need to seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all.

Our ability to obtain the necessary financing to carry out our business plan is subject to a number of factors, including general market conditions and investor acceptance of our business model. These factors may make the timing, amount, terms and conditions of such

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financing unattractive or unavailable to us. If we are unable to raise sufficient funds, we may have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as planned, both of which could mean that we would be forced to curtail or discontinue our operations.

In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain additional borrowing capacity under a credit facility. The sale of additional equity or equity-linked securities could dilute our holders of Common Stock ("Stockholders"). Moreover, the net proceeds received by us from an offering of equity securities could be reduced if the price of the Common Stock is negatively impacted by a sale of a large number of the shares of Common Stock registered by the Registration Statement. The incurrence of indebtedness would result in increased debt service obligations and could subject us to operating and financing covenants that would restrict our operations or our ability to pay dividends to our Stockholders. If we cannot raise additional funds when we need or want them, our business, financial condition, and results of operations could be negatively impacted.

***As a public company, we will incur significant increased expenses and administrative burdens which could have an adverse effect on our business, financial condition and operating results.***

As a public company, we face increased legal, accounting, administrative and other costs and expenses that we did not incur as a private company. These expenses may increase even more after we are no longer an "emerging growth company." The Sarbanes-Oxley Act, including the requirements of Section 404, and rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations promulgated and to be promulgated thereunder, the PCAOB and Nasdaq, impose additional reporting and other obligations on public companies. Compliance with public company requirements will continue to lead to increased costs and make certain activities more time consuming. A number of those requirements require us to carry out activities we have not done previously. For example, we have created new board committees, have entered into new insurance policies and adopted new internal controls and disclosure controls and procedures. In addition, we have incurred, and will



continue to incur, expenses associated with SEC reporting requirements. We have expanded our staff and may be required to continue expanding to ensure that our workforce has the requisite experience to implement these changes.

Furthermore, if any issues in complying with those requirements are identified (for example, if management or our independent registered public accounting firm identifies a material weakness in the internal control over financial reporting), we could incur additional costs rectifying those issues, the existence of those issues could adversely affect our reputation or investor perceptions of it and it may be more expensive to obtain director and officer liability insurance. Risks associated with our status as a public company may make it more difficult to attract and retain qualified persons to serve on the Board or as executive officers.

As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be materially adversely affected. Even if the claims do not result in litigation or are resolved in our favor, these claims and the time and resources necessary to resolve them could divert the resources of our management and adversely affect our business and results of operations. The additional reporting and other obligations imposed by these rules and regulations will increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by Stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

***Our Second Amended and Restated Certificate of Incorporation of DTIC ("Certificate of Incorporation") designates specific courts as the exclusive forum for substantially all stockholder litigation matters, which could limit the ability of our Stockholders to obtain a favorable forum for disputes with us or our directors, officers or employees.***

Our Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against current or former directors, officers or other employees for breach of fiduciary duty, any action asserting a claim arising pursuant to any provision of the General Corporation Law of the State of Delaware ("DGCL"), our Certificate of Incorporation or Bylaws, any action asserting a claim governed by the internal affairs doctrine of the State of Delaware or any other action asserting an "internal corporate claim" (as defined in Section 115 of the DGCL), confer jurisdiction to the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware), unless we consent in writing to the selection of an alternative forum. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our Certificate of Incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This provision may limit a Stockholder's ability to bring a claim



in a judicial forum that it finds favorable for disputes with us and our directors, officers or other employees and may have the effect of discouraging lawsuits against our directors, officers and other employees. Furthermore, Stockholders may be subject to increased costs to bring these claims, and the exclusive forum provision could have the effect of discouraging claims or limiting investors' ability to bring claims in a judicial forum that they find favorable.

In addition, the enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our Certificate of Incorporation is inapplicable or unenforceable. In March 2020, the Delaware Supreme Court issued a decision in *Salzberg, et al. v. Sciabacucchi* which found that an exclusive forum provision providing for claims under the Securities Act to be brought in federal court is facially valid under Delaware law. We intend to enforce this provision, but we do not know whether courts in other jurisdictions will agree with this decision or enforce it. If a court were to find the exclusive forum provision contained in our Certificate of Incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, prospects, financial condition and operating results.

***Shareholder litigation and regulatory inquiries and investigations are expensive and could harm our business, financial condition and operating results and could divert management attention.***

In the event past, securities class action litigation and/or shareholder derivative litigation and inquiries or investigations by regulatory authorities have often followed certain significant business transactions, such as the sale of a company or announcement of any other strategic transaction, such as the Merger. Any shareholder litigation and/or regulatory investigations against us, whether or not resolved in our favor, could result in substantial costs and divert our management's attention from other business concerns, which could adversely affect our business and cash resources and the ultimate value of our securities.

While we have not received demand letters, we may in the future receive demand letters or complaints, from purported holders of the Common Stock regarding certain actions taken in connection with the Merger, the adequacy of the registration statement filed therewith or this Annual Report on Form 10-K. These demand letters or complaints may lead to litigation against our directors and officers in connection with the Merger. Defending against any lawsuits could require us to incur significant costs and draw the attention of our management away from the day-to-day operations of our business.

***Past performance by our management team may not be indicative of future performance of an investment in us.***

Information regarding performance by, or businesses associated with, our management team, directors, advisors and their respective affiliates is presented for informational purposes only. Past performance by our management team, directors, advisors and such affiliates is not a guarantee of the future success of our business and operations. You should not rely on the historical performance of our management team, directors and advisors or that of their respective affiliates as indicative of our future performance, of an investment in us, or the returns the Common Stock will, or is likely to, generate going forward.

***HHEP-Directional, L.P. ("HHEP") owns a significant equity interest in us and may take actions that conflict with your interests.***

The interests of HHEP may not align with our interests and those of our Stockholders. HHEP is in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us.

HHEP (and its affiliates, partners, and associate entities), may also pursue business opportunities that may be complementary to our business and, as a result, those business opportunities may not be available to us. Our Certificate of Incorporation provides that we seek stockholder approval renounce any interest or expectancy in, or being offered an opportunity to participate in, business opportunities that may be presented to any Stockholder, director, officer or any other person or entity (including, with respect to any of the foregoing that are entities, any affiliates and their respective directors, officers, partners, members and associated entities) in each case who is not a full-time employee of DTIC or any of its subsidiaries (each, an "Exempted Person"). Our Certificate of Incorporation further provides that no Exempted Person has a duty to communicate the receipt of knowledge of any potential circumstances, transaction, agreement, arrangement or other matter that may be Corporate Opportunity (as defined therein).

***Sales of substantial amounts of Common Stock in the public markets, or the perception that such sales could occur, could reduce the price that the Common Stock might otherwise attain.***

Sales of a substantial number of shares of the Common Stock in the public market, or the perception that such sales could occur, could adversely affect the market price of the Common Stock and may make it more difficult for investors to sell their shares of the Common Stock at a time and price that investors deem appropriate.

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Approximately 17.5 million shares of Common Stock are subject to transfer restrictions set forth in the lock-up agreement between DTIC and Michael W. Domino, Jr., the lock-up agreement between DTIC and HHEP, and the lock-up agreement between DTIC and RobJon (the "Lock-Up Agreements"). As a result of the Lock-Up agreements, dated June 20, 2023, a significant portion of our initial business combination, we will distribute proxy materials and, total outstanding shares are restricted from immediate resale but may be sold into the market in connection therewith, provide our public stockholders with the redemption rights described above upon completion near future. Under the terms of the initial business combination.

If we seek stockholder approval, we will complete our initial business combination only if we obtain Lock-Up Agreements, the approval Stockholder Parties agreed, subject to certain customary exceptions, that during the period that is the earlier of an ordinary resolution under Delaware law, being (i) the affirmative vote of date that is 180 days following June 20, 2023 and (ii) the date specified in a majority written waiver of the common stock represented in person or by proxy and entitled to vote thereon and who vote at a general meeting in favor provisions of the business combination. In Lock-Up Agreements duly executed by ROC Holdings and DTIC, not to dispose of, directly or indirectly, any shares of the Common Stock subject to their respective Lock-Up Agreement, or take other related actions with respect to such case, shares. The shares of the Common Stock subject to the Lock- Up Agreements include all shares held by the Stockholder Parties, except for shares of the Common Stock issued pursuant to the terms Exchange Agreements.

Other than R. Wayne Prejean, who is the President, Manager and sole owner of a letter RobJon's general partner, and Mr. Domino, no directors, officers or employees of DTIC are party to any lock-up agreement entered into with us, our sponsor, officers respect to the Common Stock.

The Registration Statement has become effective and directors have agreed (and their permitted transferees will agree) to vote any founder shares during such time as it remains effective, Alberto Pontonio, Aldo Rodriguez, Ashley Lane, CFH Ventures, Ltd., Charles E. Crass, Curtis L. Crofford, David R. Johnson, EarlyBirdCapital, the EarlyBird Affiliates, HHEP, FP SPAC 2, Hicks Holdings Operating LLC, John D. "Jack" Furst, MHH Ventures, Ltd., Michael W. Domino, Jr., MV Partners I LP, Oak Stream Investors II, Ltd., R. Wayne Prejean, RBH Ventures, Ltd., RobJon Holdings, L.P., ROC Holdings, Thomas O. Hicks, TOH, Jr. Ventures, Ltd. and private shares held by them and any public shares purchased during or after our initial public offering in favor of our initial business combination. We expect that at the time of any stockholder vote relating to our initial business combination, our initial stockholders WCH Ventures, Ltd., and their respective permitted transferees (the "Selling Stockholders") will own at least 20% be permitted, subject to the lock-up restrictions described above, to sell the shares registered hereby. Sales of our issued and outstanding common stock entitled to vote thereon. Each public stockholder may elect to redeem their public shares irrespective of whether they vote for as restrictions end or against the proposed transaction. In addition, our sponsor, officers and directors have entered into a letter agreement with us, pursuant to registration rights may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause the trading price of the Common Stock to fall and make it more difficult for you to sell shares of the Common Stock. We expect that, because of the significant number of shares offered hereby, the Selling Stockholders will continue to offer shares covered by this prospectus for a significant period of time, the precise duration of which they cannot be predicted. Accordingly, the adverse market and price pressures resulting from an offering pursuant to this prospectus may continue for an extended period of time. As of December 31, 2023, these Lock-Up agreements have agreed to waive their redemption rights with respect to their founder expired.

***We may issue additional shares private of Common Stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of your shares.***

We may issue additional shares and public shares of Common Stock or other equity securities of equal or senior rank in the future in connection with, the completion among other things, future acquisitions or repayment of outstanding indebtedness, without Stockholder approval, in a business combination.

If a stockholder vote is not required and we do not decide to hold a stockholder vote for business number of circumstances. The issuance of additional shares or other legal reasons, we equity securities of equal or senior rank could have the following effects:

- existing Stockholders' proportionate ownership interest will pursuant to our amended and restated certificate of incorporation: 18 decrea
- conduct the redemptions pursuant to Rule 13e-4 and Regulation 14E of the Exchange Act, which regulate issuer tender offers; and
- file tender offer documents with the SEC prior to completing our initial business combination which contain substantially the same financial and other information about the initial business combination and the redemption rights as is required under Regulation 14A of the Exchange Act, which regulates the solicitation of proxies.

Upon the public announcement of our initial business combination, we or our sponsor will terminate any plan established in accordance with Rule 10b5-1 to purchase our common stock in the open market if we elect to redeem our public shares through a tender offer, to comply with Rule 14e-5 under the Exchange Act.

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In the event we conduct redemptions pursuant to the tender offer rules, our offer to redeem will remain open for at least 20 business days, in accordance with Rule 14e-1(a) under the Exchange Act, and we will not be permitted to complete our initial business combination until the expiration of the tender offer period. In addition, the tender offer will be conditioned on public stockholders not tendering more than a specified number of public shares which are not purchased by our sponsor, which number will be based on the requirement that we will only redeem our public shares so long as (after such redemption) our net tangible assets will be at least \$5,000,001 either immediately prior to or upon consummation of our initial business combination and after payment of underwriters' fees and commissions or any greater net tangible asset or cash requirement which may be contained in the agreement relating to our initial business combination. If public stockholders tender more shares than we have offered to purchase, we will withdraw the tender offer and not complete the initial business combination.

Our amended and restated certificate of incorporation provides that we will only redeem our public shares so long as (after such redemption) our net tangible assets will be at least \$5,000,001 either immediately prior to or upon consummation of our initial business combination and after payment of underwriters' fees and commissions. Redemptions of our public shares may also be subject to a higher net tangible asset test or cash requirement pursuant to an agreement relating to our initial business combination. For example, the proposed business combination may require: (i) cash consideration to be paid to the target or its owners, (ii) cash to be transferred to the target for working capital or other general corporate purposes or (iii) the retention of cash to satisfy other conditions in accordance with the terms of the proposed business combination. In the event the aggregate cash consideration we would be required to pay for all common stock that are validly submitted for redemption plus any amount required to satisfy cash conditions pursuant to the terms of the proposed business combination exceed the aggregate amount of cash available per share, including for payment of dividends in the future, may decrease;

- the relative voting strength of each previously outstanding share of Common Stock may be diminished; and
- the market price of the Common Stock may decline.

***We have access to us, we will a significant amount of cash and our management has broad discretion over the use of that cash. Our management may use the cash in ways that our Stockholders may not complete approve.***

We have broad discretion over the business combination or redeem any shares, and all common stock submitted for redemption will be returned to the holders thereof.

See "Drilling Tools Business Combination" above for more information on any redemptions associated with the Drilling Tools Business Combination.

## **Limitation on Redemption upon Completion of Our Initial Business Combination if We Seek Stockholder Approval**

Notwithstanding the foregoing, if we seek stockholder approval use of our initial business combination cash and we do cash equivalents. You may not conduct redemptions in connection agree with our initial business combination pursuant to the tender offer rules, our amended and restated certificate of incorporation provides that a public stockholder, together with any affiliate use of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Exchange Act), will be restricted from seeking redemption rights with respect cash and cash equivalents. Our failure to more than an aggregate of 20% of the shares sold in our initial public offering ("Excess Shares"). We believe this restriction will discourage stockholders from accumulating large blocks of shares, and subsequent attempts by such holders to use their ability to exercise their redemption rights against a proposed business combination as a means to force us or our sponsor or its affiliates to purchase their shares at a significant premium to the then-current market price or on other undesirable terms. By limiting our stockholders' ability to redeem no more than 20% of the shares sold in our initial public offering, we believe we will limit the ability of a small group of stockholders to unreasonably attempt to block apply these resources effectively could compromise our ability to complete pursue our initial business combination, particularly in connection with growth strategy and we might not be able to yield a business combination with significant return, if any, on our investment of these assets. You will not have the opportunity to influence directly our decisions on how to use our cash resources.

***Because there are no current plans to pay cash dividends on the Common Stock for the foreseeable future, you may not receive any return on investment unless you sell the Common Stock at a target that requires as a closing condition that we have a minimum net worth or a certain amount of cash. price greater than what you paid for it.***

We may waive this restriction retain future earnings, if any, for future operations, expansion and debt repayment and there are no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made by the Board and will depend on, among other things, our sole discretion. However, we would not be restricting results of operations, financial condition, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, our stockholders' ability to vote all pay dividends may be limited by covenants of their shares (including Excess Shares) for any existing and future outstanding indebtedness DTIC or against our initial business combination. Our sponsor, officers and directors have, pursuant to a letter agreement entered into with us, waived their right to have any founder shares, private shares or public shares held by them redeemed in connection with our initial business combination. Unless any of our other affiliates acquires founder shares through a permitted transfer from an initial stockholder, and thereby becomes subject to the letter agreement, no such affiliate is subject to this waiver. However, to the extent any such affiliate acquires public shares in our initial public offering or thereafter through open market purchases, it would be a public stockholder and restricted from seeking redemption rights with respect to any Excess Shares.

#### **Tendering Stock Certificates in Connection with a Tender Offer or Redemption Rights**

If we hold a stockholder meeting to approve a business combination, we may require our public stockholders seeking to exercise their redemption rights, whether they are record holders or hold their shares in "street name," to either tender their certificates (if any) to our transfer agent up to two business days prior to the vote on the proposal to approve the business combination or to deliver their shares to the transfer agent electronically using the DWAC System, rather than simply voting against the initial business combination. The proxy materials that we will furnish to holders of our public shares in connection with our initial business combination will indicate whether we are requiring public stockholders to satisfy such delivery requirements. Accordingly, a public stockholder would have up to two days prior to the vote on the business combination to tender its shares if it wishes to seek to exercise its redemption rights. Pursuant

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to Delaware law, a final proxy statement would be mailed to public stockholders at least 10 days prior to the stockholder vote. However, we expect that a draft proxy statement would be made available to such stockholders well in advance of such time, providing additional notice of redemption if we conduct redemptions in conjunction with a proxy solicitation. Given the relatively short exercise period, it is advisable for stockholders to use electronic delivery of their public shares.

There is a nominal cost associated with the above-referenced tendering process and the act of certifying the shares or delivering them through the DWAC System. The transfer agent will typically charge the tendering broker \$100.00 and it would be up to the broker whether or not to pass this cost on to the redeeming holder. However, this fee would be incurred regardless of whether or not we require holders seeking to exercise redemption rights to tender their shares. The need to deliver shares is a requirement of exercising redemption rights regardless of the timing of when such delivery must be effectuated.

The foregoing is different from the procedures historically used by many blank check companies. In the past, in order to perfect redemption rights in connection with their business combinations, many blank check companies would distribute proxy materials for the stockholders' vote on an initial business combination, and a holder could simply vote against a proposed business combination and check a box on the proxy card indicating such holder was seeking to exercise his or her redemption rights. After the business combination was approved, the company would contact such stockholder to arrange for him or her to deliver his or her certificate to verify ownership. subsidiaries incur. As a result, the stockholder then had you may not receive any return on an "option window" after the completion investment in Common Stock unless you sell your shares of the business combination during Common Stock for a price greater than that which he or she could monitor the price of the company's shares you paid for it.

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***DTIC's sole material asset is its direct equity interest in the market. If the price rose above the redemption price, he or she could sell his or her shares in the open market before actually delivering his or her shares to the company for cancellation. As a result, the redemption rights, to which stockholders were aware they needed to commit before the general meeting, would become "option" rights surviving past the completion of the business***



**combination until the redeeming holder delivered its certificate. The requirement for physical or electronic delivery prior to the general meeting ensures that a redeeming holder's election to redeem DTIH and, accordingly, it is irrevocable once the business combination is approved.**

Any request to redeem such shares, once made, may be withdrawn at any time up to the date of the stockholder meeting. Furthermore, if a holder of a public share delivered its certificate in connection with an election of redemption rights and subsequently decides prior to the applicable date not to elect to exercise such rights, such holder may simply request that the transfer agent return the certificate (physically or electronically). It is anticipated that the funds to be distributed to holders of our public shares electing to redeem their shares will be distributed promptly after the completion of our initial business combination.

If our initial business combination is not approved or completed for any reason, then our public stockholders who elected to exercise their redemption rights would not be entitled to redeem their shares for the applicable pro rata share of the trust account. In such case, we will promptly return any certificates delivered by public holders who elected to redeem their shares.

If the Drilling Tools Business Combination is not completed, we may continue to try to complete a business combination with a different target until the end of the Combination Period.

#### **Redemption of Public Shares and Liquidation if no Initial Business Combination**

Our sponsor, officers and directors have agreed that we will have only until the end of the Combination Period to complete our initial business combination. If we are unable to complete our initial business combination by the end of the Combination Period, we will: (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the public shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account, including interest (less up to \$100,000 of interest dependent upon distributions from DTIH to pay dissolution taxes and cover its corporate and other overhead expenses (which and pay dividends, if any, on the Common Stock.

DTIC is a holding company and has no material assets other than its direct equity interest in DTIH. We have no independent means of generating revenue. To the extent DTIH has available cash, DTIC will be net cause DTIH to make distributions of cash to pay taxes, payable) divided by cover its corporate and other overhead expenses and pay dividends, if any, on the number of then issued and outstanding public shares, which redemption will completely extinguish public stockholders' rights as stockholders (including the right to receive further liquidation distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of our remaining stockholders and our board of directors, liquidate and dissolve, subject in each case to our obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. There will be no redemption rights or liquidating distributions with respect to our rights, which will be forfeited if we fail to complete our initial business combination by the end of the Combination Period.

Our sponsor, officers and directors have entered into a letter agreement with us, pursuant to which they have waived their rights to liquidating distributions from the trust account with respect to their founder shares and private shares if we fail to complete our initial business combination by the end of the Combination Period. However, if our sponsor, officers or directors acquire public shares after

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our initial public offering, they will be entitled to liquidating distributions from the trust account with respect to such public shares if we fail to complete our initial business combination by the end of the Combination Period. We will also provide this opportunity to our public stockholders should we seek approval to amend our amended and restated certificate of incorporation to extend the deadline by which we are required to consummate our initial business combination.

Our sponsor, officers and directors have agreed, pursuant to a written letter agreement with us, that they will not propose any amendment to our amended and restated certificate of incorporation that would (i) modify the substance or timing of our obligation to allow redemption in connection with our initial business combination or to redeem 100% of our public shares if we do not complete our initial business combination by the end of the Combination Period or (ii) with respect to the other provisions relating to stockholders' rights or pre-business combination activity, unless we provide our public stockholders with the opportunity to redeem their common stock upon approval of any such amendment at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account, including interest (which interest will be net of taxes payable) divided by the number of then issued and outstanding public shares. However, we will only redeem our public shares so long as (after such redemption) our net tangible assets will be at least \$5,000,001 either immediately prior to or upon consummation of our initial business combination and after payment of underwriters' fees and commissions. If this optional redemption right is exercised with respect to an excessive number of public shares such that we cannot satisfy the net tangible asset requirement (described above), we would not proceed with the amendment or the related redemption of our public shares.

If we do not consummate our initial business combination by the deadline set forth in our amended and restated certificate of incorporation, we expect that all costs and expenses associated with implementing our plan of dissolution, as well as payments to any creditors, will be funded from amounts remaining out of the \$207,915 of proceeds held outside the trust account as of December 31, 2022, although we cannot assure you that there will be sufficient funds for such purpose. However, if those funds are not sufficient to cover the costs and expenses associated with implementing our plan of dissolution, to Common Stock. To the extent that there DTIC needs funds and DTIH's operating subsidiaries fail to generate sufficient cash flow to distribute funds to DTIC or is any interest accrued restricted from making such distributions or payments under applicable law or regulation or under the terms of DTIC's financing arrangements, or is otherwise unable to provide such funds, DTIC's liquidity and financial condition could be materially adversely affected.

**Nasdaq Capital Market ("Nasdaq") may delist the Common Stock from trading, which could limit investors' ability to execute transactions in the trust account not required Common Stock and subject us to pay taxes, we may request the trustee to release to us an additional amount of up to \$100,000 of such accrued interest to pay those costs and expenses. trading restrictions.**

If we were to expend all of the net proceeds of our initial public offering and the sale of the private units, other than the proceeds deposited in the trust account, and without taking into account interest, if any, earned on the trust account, the per-share redemption amount received by stockholders upon our dissolution would be approximately \$10.31 as of



December 31, 2022. The proceeds deposited in the trust account could, however, become subject to the claims of our creditors which would have higher priority than the claims of our public stockholders. We cannot assure you that the actual per-share redemption amount received by stockholders Common Stock will not be substantially less than \$10.31. While we intend to pay such amounts, if any, we cannot assure you that we will have funds sufficient to pay or provide for all creditors' claims.

Although we seek to have all vendors, service providers (other than our independent auditors), prospective target businesses or other entities with which we do business execute agreements with us waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of our public stockholders, there is no guarantee that they will execute such agreements or even if they execute such agreements that they would be prevented from bringing claims against the trust account including but not limited to fraudulent inducement, breach of fiduciary responsibility or other similar claims, as well as claims challenging the enforceability of the waiver, in each case in order to gain an advantage with respect to a claim against our assets, including the funds held in the trust account. If any third party refuses to execute an agreement waiving such claims to the monies held in the trust account, our management will perform an analysis of the alternatives available to it and will only enter into an agreement with a third party that has not executed a waiver if management believes that such third party's engagement would be significantly more beneficial to us than any alternative. Examples of possible instances where we may engage a third party that refuses to execute a waiver include the engagement of a third party consultant whose particular expertise or skills are believed by management continue to be significantly superior to those of other consultants that would agree to execute a waiver or in cases where management is unable to find a service provider willing to execute a waiver. In addition, there is no guarantee that such entities will agree to waive any claims they may have in listed on Nasdaq. If Nasdaq delists the future as a result of, or arising out of, any negotiations, contracts or agreements with us Common Stock from trading and will not seek recourse against the trust account for any reason. Upon redemption of our public shares, if we are unable to complete our initial business combination within list the prescribed time frame, or upon Common Stock on another national securities exchange, we expect the exercise Common Stock could be quoted on an over-the-counter market. If this were to occur, we could face significant material adverse consequences, including:

- a limited availability of market quotations for the Common Stock;
- reduced liquidity for the Common Stock;
- a redemption right determination that the Common Stock is a "penny stock" which will require brokers trading in connection with our initial business combination, we will be required the Common Stock to provide adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for payment of claims of creditors that were not waived that may be brought against us within the 10 years following redemption. Our sponsor has agreed that it will be liable to us if and to the extent any claims by Common Stock;
- a third party (other than our independent auditors) for services rendered or products sold to us, or a prospective target business with which we have discussed entering into a transaction agreement, reduce the limited amount of funds news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the trust account future.

The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which are referred to below (i) \$10.10 per public share or (ii) such lesser amount per public

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share held in as “covered securities.” Because the trust account Common Stock is listed on Nasdaq, the Common Stock qualifies as of a covered security. Although the date of the liquidation of the trust account, due to reductions in value of the trust assets, in each case net of the amount of interest which may be withdrawn to pay taxes. This liability will not apply with respect to any claims by a third party who executed a waiver of any and all rights to seek access to the trust account and except as to any claims under our indemnity of the underwriters of our initial public offering against certain liabilities, including liabilities under the Securities Act. Because we states are a blank check company, rather than an operating company, and our operations will be limited to searching for prospective target businesses to acquire, the only third parties we currently expect to engage would be vendors such as lawyers, investment bankers, computer or information and technical services providers or prospective target businesses. In the event that an executed waiver is deemed to be unenforceable against a third party, then our sponsor will not be responsible to the extent of any liability for such third-party claims. We have not independently verified whether our sponsor has sufficient funds to satisfy their indemnity obligations and believe that our sponsor's only assets are securities of our company. None of our other officers will indemnify us for claims by third parties including, without limitation, claims by vendors and prospective target businesses.

In the event that the proceeds in the trust account are reduced below (i) \$10.10 per public share or (ii) such lesser amount per public share held in the trust account as of the date of the liquidation of the trust account, due to reductions in value of the trust assets, in each case net of the amount of interest which may be withdrawn to pay taxes, and our sponsor asserts that it is unable to satisfy its indemnification obligations or that it has no indemnification obligations related to a particular claim, our independent directors would determine whether to take legal action against our sponsor to enforce its indemnification obligations. While we currently expect that our independent directors would take legal action on our behalf against our sponsor to enforce its indemnification obligations to us, it is possible that our independent directors in exercising their business judgment may choose not to do so in any particular instance. Accordingly, we cannot assure you that due to claims of creditors the actual value of the per-share redemption price will not be substantially less than \$10.10 per share.

We have sought and will continue to seek to reduce the possibility that our sponsor will have to indemnify the trust account due to claims of creditors by endeavoring to have all vendors, service providers (other than our independent auditors), prospective target businesses or other entities with which we do business execute agreements with us waiving any right, title, interest or claim of any kind in or to monies held in the trust account. Our sponsor will also not be liable as to any claims under our indemnity of the underwriters of our initial public offering against certain liabilities, including liabilities under the Securities Act. As of December 31, 2022, we have access to up to \$207,915 preempted from the proceeds of our initial public offering and regulating the sale of the private units, with which Common Stock, the federal statute does allow the states to pay any such potential claims. In investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the event that states can regulate or bar the sale of covered securities in a particular case. Further, if we liquidate were no longer listed on Nasdaq, shares of Common Stock would not be covered securities and it is subsequently determined that the reserve for claims and liabilities is insufficient, stockholders who received funds from our trust account could be liable for claims made by creditors. As of December 31, 2022, the amount held outside the trust account \$207,915.

If we file a bankruptcy or winding-up petition or an involuntary bankruptcy or winding-up petition is filed against us that is not dismissed, the proceeds held in the trust account could be subject to regulation in each state in which we offer the Common Stock.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding the Common Stock adversely, the price and trading volume of the Common Stock could decline.***

The trading market for the Common Stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of the Common Stock would likely decline. If an analyst that covers us ceases its coverage or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

***We are a “controlled company” within the meaning of the applicable bankruptcy or insolvency laws, rules of Nasdaq and, as a result, qualify for exemptions from certain corporate governance requirements. If we rely on these exemptions, our Stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements.***

HHEP controls more than 50% of the voting power for the election of the Board. Accordingly, we are a “controlled company” within the meaning of the Nasdaq rules. A “controlled company” and may be included elect not to comply with certain corporate governance requirements, including the requirements to have:

- a board of directors with the majority comprised of independent directors;
- a compensation committee; and
- independent oversight of director nominations.

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While we do not currently rely on these exemptions, we may take advantage of these exemptions in our bankruptcy or insolvency estate and subject to the claims of third parties with priority over the claims of our stockholders. To the extent any bankruptcy or insolvency claims deplete the trust account, we cannot assure you we will be able to return \$10.10 per share to our public stockholders. Additionally, if we file a bankruptcy or winding-up petition or an involuntary bankruptcy or winding-up petition is filed against us that is not dismissed, any distributions received by stockholders could be viewed under applicable debtor/creditor and/or bankruptcy or insolvency laws as either a “preferential transfer” or a “fraudulent conveyance.” future. As a result, a bankruptcy or insolvency court could seek to recover all amounts received by our stockholders. Furthermore, our board may be viewed as having breached its fiduciary duty to our creditors and/or may have acted in bad faith, and thereby exposing itself and our company to claims of punitive damages, by paying public stockholders from the trust account prior to addressing the claims of creditors. We cannot assure you that claims will not be brought against us for these reasons.

Our public stockholders will be entitled to receive funds from the trust account only upon the earlier of (i) the completion of our initial business combination, (ii) the redemption of any public shares properly tendered in connection with a stockholder vote to amend our amended and restated certificate of incorporation to (A) modify the substance or timing of our obligation to allow redemption in connection with our initial business combination or to redeem 100% of our public shares if we do not complete our initial business combination by the end of the Combination Period or (B) with respect to any other provision relating to stockholders' rights or pre-business combination activity and (iii) the redemption of all of our public shares if we are unable to complete our initial business combination by the end of the Combination Period, subject to applicable law. In no other circumstances will a stockholder have any right or interest of any kind to or in the trust account. In the event we seek stockholder approval in connection with our initial business combination, a stockholder's voting in connection with the business combination alone will not result in a stockholder's redeeming its

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shares to us for an applicable pro rata share of the trust account. Such stockholder must have also exercised its redemption rights described above.

Under the DGCL, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. The pro rata portion of our trust account distributed to our public stockholders upon the redemption of 100% of our outstanding public shares in the event we do not complete our initial business combination within the required time period may be considered a liquidation distribution under Delaware law. If the corporation complies with certain procedures set forth in Section 280 of the DGCL intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any redemptions are made to stockholders, any liability of stockholders with respect to a redemption is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution.

Furthermore, if the pro rata portion of our trust account distributed to our public stockholders upon the redemption of 100% of our public shares in the event we do not complete our initial business combination within the required time period is not considered a liquidation distribution under Delaware law and such redemption distribution is deemed to be unlawful, then pursuant to Section 174 of the DGCL, the statute of limitations for claims of creditors could then be six years after the unlawful redemption distribution, instead of three years, as in the case of a liquidation distribution. It is our intention to redeem our public shares as soon as reasonably possible following the end of the Combination Period and, therefore, we do not intend to comply with the above procedures. As such, our stockholders could potentially be liable for

any claims to the extent of distributions received by them (but no more) and any liability of our stockholders may extend well beyond the third anniversary of such date.

Because we will not be complying with Section 280 of the DGCL, Section 281(b) of the DGCL requires us to adopt a plan, based on facts known to us at such time that will provide for our payment of all existing and pending claims or claims that may be potentially brought against us within the subsequent 10 years. However, because we are a blank check company, rather than an operating company, and our operations will be limited to seeking to complete an initial business combination, the only likely claims to arise would be from our vendors (such as lawyers, investment bankers, etc.) or prospective target businesses.

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We seek to have all third parties (including any vendors or other entities we engage after our initial public offering) and any prospective target businesses enter into valid and enforceable agreements with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the trust account. The underwriters in our initial public offering will execute such a waiver agreement. As a result, the claims that could be made against us will be limited, thereby lessening the likelihood that any claim would result in any liability extending to the trust. We therefore believe that any necessary provision for creditors will be reduced and should not have a significant impact on our ability to distribute the funds in the trust account to our public stockholders. Nevertheless, there is no guarantee that vendors, service providers and prospective target businesses will execute such agreements. In the event that a potential contracted party was to refuse to execute such a waiver, we will execute an agreement with that entity only if our management first determines that we would be unable to obtain, on a reasonable basis, substantially similar services or opportunities from another entity willing to execute such a waiver. Examples of instances where we may engage a third-party that refused to execute a waiver would be the engagement of a third-party consultant who cannot sign such an agreement due to regulatory restrictions, such as our auditors who are unable to sign due to independence requirements, or whose particular expertise or skills are believed by management to be superior to those of other consultants that would agree to execute a waiver or a situation in which management does not believe it would be able to find a provider of required services willing to provide the waiver. There is also no guarantee that, even if they execute such agreements with us, they will not seek recourse against the trust account. Our sponsor has agreed that it will be liable to us if and to the extent any claims by a vendor for services rendered or products sold to us, or a prospective target business with which we have discussed entering into a transaction agreement, reduce the amount of funds in the trust account to below \$10.10 per public share, except as to any claims by a third-party who executed a valid and enforceable agreement with us waiving any right, title, interest or claim of any kind they may have in or to any monies held in the trust account and except as to

any claims under our indemnity of the underwriters of our initial public offering against certain liabilities, including liabilities under the Securities Act. However, our sponsor may not be able to satisfy its indemnification obligations, as we have not required our sponsor to retain any assets to provide for its indemnification obligations, nor have we taken any further steps to ensure that it will be able to satisfy any indemnification obligations that arise. Moreover, our sponsor will not be liable to our public stockholders and instead will only have liability to us. As a result, if we liquidate, the per-share distribution from the trust account could be less than approximately \$10.10 due to claims or potential claims of creditors. We will distribute to all of our public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount then held in the trust account, inclusive of any interest not previously released to us, (subject to our obligations under Delaware law to provide for claims of creditors as described below).

If we are unable to consummate an initial business combination and are forced to redeem 100% of our outstanding public shares for a portion of the funds held in the trust account, we anticipate notifying the trustee of the trust account to begin liquidating such assets promptly after such date and anticipate it will take no more than 10 business days to effectuate the redemption of our public shares. Our insiders have waived their rights to participate in any redemption with respect to their founder shares. We will pay the costs of any subsequent liquidation from our remaining assets outside of the trust account. If such funds are insufficient, our insiders have agreed to pay the funds necessary to complete such liquidation (currently anticipated to be no more than approximately \$100,000) and have agreed not to seek repayment of such expenses. Each holder of public shares will receive a full pro rata portion of the amount then in the trust account, plus any pro rata interest earned on the funds held in the trust account and not previously released to us or necessary to pay our taxes. The proceeds deposited in the trust account could, however, become subject to claims of our creditors that are in preference to the claims of public stockholders.

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## **Amended and Restated Certificate of Incorporation**

Our amended and restated certificate of incorporation contains certain requirements and restrictions relating to our initial public offering that will apply to us until the consummation of our initial business combination. If we hold a stockholder vote to amend any provisions of our certificate of incorporation relating to stockholder's rights or pre-business combination activity (including the substance or timing within which we have to complete a business combination), we will provide our public stockholders with the opportunity to redeem their shares of common stock upon approval of any such amendment at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the trust account, including interest earned on the funds held in the trust account and not previously released to us to pay our franchise and income taxes, divided by the number of then outstanding public shares, in connection with any such vote. Our insiders

have agreed to waive any redemption rights with respect to any founder shares, private shares and any public shares they may hold in connection with any vote to amend our certificate of incorporation. Specifically, our certificate of incorporation provides, among other things, that:

- prior to the consummation of our initial business combination, we will either (1) seek stockholder approval of our initial business combination at a meeting called for such purpose at which public stockholders may seek to redeem their shares of common stock, regardless of whether they vote for or against the proposed business combination, into a portion of the aggregate amount then on deposit in the trust account, net of taxes payable, or (2) provide our stockholders with the opportunity to sell their shares to us by means of a tender offer (and thereby avoid the need for a stockholder vote) for an amount equal to their pro rata share of the aggregate amount then on deposit in the trust account, net of taxes payable, in each case subject to the limitations described herein;
- we will consummate our initial business combination only if public stockholders do not exercise redemption rights in an amount that would cause our net tangible assets to be less than \$5,000,001 and a majority of the outstanding shares of common stock voted are voted in favor of the business combination;
- if our initial business combination is not consummated by the end of the Combination Period, then our existence will terminate and we will distribute all amounts in the trust account to all of our public holders of shares of common stock;
- upon the consummation of our initial public offering, \$209,070,000 was placed into the trust account;
- we may not consummate any other business combination, merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar transaction prior to our initial business combination; and
- prior to our initial business combination, we may not issue additional shares of capital stock that would entitle the holders thereof to (i) receive funds from the trust account or (ii) vote on any initial business combination.

#### Potential Revisions to Agreements with Insiders

Each of our insiders has entered into letter agreements with us pursuant to which each of them has agreed to do certain things relating to us and our activities prior to a business combination. We could seek to amend these letter agreements without the approval of stockholders, although we have no intention to do so. In particular:

- Restrictions relating to liquidating the trust account if we failed to consummate a business combination in the time-frames specified above could be amended, but only if we allowed all stockholders to redeem their shares in connection with such amendment;
- Restrictions relating to our insiders being required to vote in favor of a business combination or against any amendments to our organizational documents could be amended to allow our insiders to vote on a transaction as they wished;
- The requirement of members of the management team to remain our officer or director until the closing of a business combination could be amended to allow persons to resign from their positions with us if, for example, the current management team was having difficulty locating a target business and another management team had a potential target business;



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- The restrictions on transfer of our securities could be amended to allow transfer to third parties who were not members of our original management team;
- The obligation of our management team to not propose amendments to our organizational documents could be amended to allow them to propose such changes to our stockholders;
- The obligation of insiders to not receive any compensation in connection with a business combination could be modified in order to allow them to receive such compensation; and
- The requirement to obtain a valuation for any target business affiliated with our insiders, in the event it was too expensive to do so.

Except as specified above, stockholders would not be required to be given the opportunity to redeem their shares in connection with such changes. Such changes could result in:

- Our having an extended period of time to consummate a business combination (although with less in trust as a certain number of our stockholders would certainly redeem their shares in connection with any such extension);
- Our insiders being able to vote against a business combination or in favor of changes to our organizational documents;
- Our operations being controlled by a new management team that our stockholders did not elect to invest with;
- Our insiders receiving compensation in connection with a business combination; and
- Our insiders closing a transaction with one of their affiliates without receiving an independent valuation of such business.

We will not agree to any such changes unless we believed that such changes were in the best interests of our stockholders (for example, if we believed such a modification were necessary to complete a business combination). Each of our officers and directors has fiduciary obligations to us requiring that he or she act in our best interests and the best interests of our stockholders.

## **Competition**

In identifying, evaluating and selecting a target business, such as Drilling Tools, we may encounter intense competition from other entities having a business objective similar to ours. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Many of these competitors possess greater technical, human and other resources than us and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe there may be numerous potential target businesses that we could complete a business combination with utilizing the net proceeds of our initial public offering, our ability to compete in completing a business combination with certain sizable target businesses may be limited by our available financial resources.



The following also may not be viewed favorably by certain target businesses:

- our obligation to seek stockholder approval of our initial business combination or engage in a tender offer may delay the completion of a transaction;
- our obligation to redeem shares of common stock held by our public stockholders may reduce the resources available to us for our initial business combination;
- our obligation to pay EarlyBirdCapital an aggregate fee of \$2,000,000 upon consummation of our initial business combination pursuant to the business combination marketing agreement;
- our obligation to either repay working capital loans that may be made to us by our insiders or their affiliates;

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- our obligation to register the resale of the founder shares, as well as the private units (and underlying securities), the representative founder shares, and any shares issued to our insiders or their affiliates upon conversion of working capital loans; and
- the impact on the target business' assets as a result of unknown liabilities under the securities laws or otherwise depending on developments involving us prior to the consummation of a business combination.

Any of these factors may place us at a competitive disadvantage in successfully negotiating our initial business combination. Our management believes, however, that our status as a public entity and potential access to the United States public equity markets may give us a competitive advantage over privately held entities having a similar business objective as ours in connection with an initial business combination with a target business with significant growth potential on favorable terms.

If we succeed in effecting our initial business combination, there will be, in all likelihood, intense competition from competitors of the target business. Subsequent to our initial business combination, we **Stockholders** may not have the resources same protections afforded to stockholders of companies that are subject to all of Nasdaq's corporate governance requirements.

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## Item 1B. Unresolved Staff Comments.

None.

## Item 1C. Cybersecurity

### ***Risk Identification and Management***

The Company has a cybersecurity Risk Management Policy in place that governs the life cycle in which cybersecurity risks, including:

- Risk Identification: through various initiatives performed, including, annual assessments, penetration tests, Incident Response tabletop exercises, vulnerability scans, and cybersecurity reviews of critical third-party vendor engagements, etc.
- Risk Evaluation & Treatment: Identified issues, vulnerabilities, and exposures are captured within the Company's Risk Register, which is updated periodically to reflect the most up to date treatment option selected by the Risk Owners.
- Risk Reporting and Ongoing Management: Potentially material risks are shared as part of a monthly Cybersecurity Governance Forum, that's attended by leadership. Risk Mitigations are tracked to completion through various project updates.

The foundation of the Company's cybersecurity framework is based on written policies that govern different process areas. Risks are identified through various processes that employees perform through their daily operations and are mitigated, managed and/or ability governed through these established processes.

The Company is not aware of any cybersecurity risks that have materially affected or are reasonably likely to compete effectively

**Conflicts materially affect the Company's business strategy, results of interest**

Our officers and directors presently have, and any of them operations or financial condition. However, the Company cannot provide assurance that the Company will not be materially affected in the future may have additional, fiduciary by such risks or contractual obligations to other entities. Pursuant to such fiduciary duties, such officer or director is or will be required to present a business combination opportunity to such other entities subject to his or her fiduciary duties. Subject to his or her fiduciary duties under Delaware law, none of any future material incidents.

Leveraging the members of our management team who Company's Cybersecurity Risk Management & Governance process, it has identified cybersecurity risk factors that are also employed by our sponsor or its affiliates have any obligation to present us with any opportunity for a potential business combination of which they become aware. If any of our officers or directors becomes aware of a business combination opportunity that falls within the line of business of any entity to which he or she has pre-existing fiduciary or contractual obligations, he or she may be required to present such business combination opportunity to such entity prior to presenting such business combination opportunity to us, subject to his or her fiduciary duties under Delaware law and any other applicable fiduciary duties, and only present it to us if such entity rejects the opportunity. Our amended and restated certificate of incorporation provides that we renounce our interest in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the company and it is an opportunity that we are able to compete on a reasonable basis.

In addition to our sponsor, members of our management team directly or indirectly own our common stock and/or private units following our initial public offering, and, accordingly, may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate our initial business combination. Further,

each of our officers and directors may have a conflict of interest with respect to evaluating a particular business combination if the retention or resignation of any such officers and directors was included by a target business as a condition to any agreement with respect to our initial business combination.

Additionally, we have engaged EarlyBirdCapital to assist us in connection with our initial business combination. Assuming the closing of the Drilling Tools Business Combination, we will pay EarlyBirdCapital a cash fee of \$2,000,000 upon the consummation of the Drilling Tools Business Combination. The representative founder shares will also be worthless if we do not consummate an initial business combination. These financial interests may result in the underwriters having a conflict of interest when providing the services to us in connection with an initial business combination.

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## **Indemnity**

Our sponsor has agreed that it will be liable to us if and **inherent** to the extent any claims by a third party (other than our independent auditors) for services rendered or products sold to us, or a prospective target business with which we have discussed entering into a transaction agreement, reduce the amount of funds in the trust account to below (i) \$10.10 per public share or (ii) such lesser amount per public share held in the trust account as of the date of the liquidation of the trust account due to reductions in the value of the trust assets, in each case net of the interest which may be withdrawn to pay taxes. This liability will not apply with respect to any claims by a third party who executed a waiver of any and all rights to seek access to the trust account and except as to any claims under our indemnity of the underwriters of our initial public offering against certain liabilities, including liabilities under the Securities Act. Because we are a blank check company, rather than an operating company, and our operations will be limited to searching for prospective target businesses to acquire, the only third parties we currently expect to engage would be vendors such as lawyers, accountants, investment bankers, computer or information and technical services providers or prospective target businesses. Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, our sponsor will not be responsible to the extent of any liability for such third party claims. We have not independently verified whether our sponsor has sufficient funds to satisfy their indemnity obligations and believe that our sponsor's only assets are securities of our company. We have not asked our sponsor to reserve for such obligations.

## **Employees**

We have two executive officers. These individuals are not obligated to devote any specific number of hours to our matters but they devote only as much time as they deem necessary to our affairs. The amount of time they devote in any time period varies based on the stage of the business combination process the company is in. Accordingly, once a suitable target business to consummate our initial business combination with has been located, management will spend more time investigating such target Company's business and negotiating and processing the business combination (and consequently spend more time on our affairs) than had been spent prior to locating a suitable target business. We presently expect our executive officers to devote an average of approximately 10 hours per week to our business. We do not intend to have any full-time employees prior to the consummation of our initial business combination.

## Periodic Reporting and Audited Financial Statements

Our units, common stock, and rights are registered under the Exchange Act, and as a result, we have reporting obligations, including the requirement that we file annual, quarterly and current reports with the SEC. In accordance with the requirements of the Exchange Act, our annual reports, including this Report, contain financial statements audited and reported on by our independent registered public accountants.

We will provide stockholders with audited financial statements of the prospective target business as part of any proxy solicitation materials, such as the Drilling Tools Registration Statement, or tender offer documents sent to stockholders to assist them in assessing the target business. These financial statements will need to be prepared in accordance with or reconciled to United States GAAP or IFRS as issued by the IASB. A particular target business identified by us as a potential business combination candidate may not have the necessary financial statements. To the extent that this requirement cannot be met, we may not be able to consummate our initial business combination with the proposed target business.

We are required to evaluate our internal control procedures for the fiscal year ending December 31, 2022 as required by the Sarbanes-Oxley Act. Only in the event we are deemed to be a large accelerated filer or an accelerated filer will we be required to have our internal control procedures audited. A target company may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of their internal controls, industry. The development of the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition.

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### Item 1A. Risk Factors.

As a smaller reporting company under Rule 12b-2 of the Exchange Act, we are not required to include risk factors discussed in this Report. However, below is a partial list of material risks, uncertainties and other factors that could have a material effect on the Company and its operations:

- we are a blank check company with no revenue or basis to evaluate our ability to select a suitable business target;
- we may not be able to select an appropriate target business or businesses and complete our initial business combination in the prescribed time frame, including the Drilling Tools Business Combination;
- our expectations around the performance of a prospective target business or businesses, such as Drilling Tools, may not be realized;
- we may not be successful in retaining or recruiting required officers, key employees or directors following our initial business combination;
- our officers and directors may have difficulties allocating their time between the Company and other businesses and may potentially have conflicts of interest with our business or in approving our initial business combination;
- we may not be able to obtain additional financing to complete our initial business combination, including the Drilling Tools Business Combination, or reduce the number of shareholders requesting redemption;
- we may issue our shares to investors in connection with our initial business combination at a price that is less than the prevailing market price of our shares at that time;
- you may not be given the opportunity to choose the initial business target or to vote on the initial business combination;
- trust account funds may not be protected against third party claims or bankruptcy;
- an active market for our public securities' may not develop and you will have limited liquidity and trading;
- the availability to us of funds from interest income on the trust account balance may be insufficient to operate our business prior to the business combination;
- our financial performance following a business combination with an entity may be negatively affected by their lack an established record of revenue, cash flows and experienced management;
- there may be more competition to find an attractive target for an initial business combination, which could increase the costs associated with completing our initial business combination and may result in our inability to find a suitable target;
- changes in the market for directors and officers liability insurance could make it more difficult and more expensive for us to negotiate and complete an initial business combination;
- we may attempt to simultaneously complete business combinations with multiple prospective targets, which may hinder our ability to complete our initial business combination and give rise to increased costs and risks that could negatively impact our operations and profitability;

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- we may engage one or more of our underwriters or one of their respective affiliates to provide additional services to us after the initial public offering, which may include acting as a financial advisor in connection with an initial business combination or as placement agent in connection with a related financing transaction. Our underwriters are entitled to receive fees under the business combination marketing agreement only upon a completion of an initial business combination. These financial incentives may cause them to have potential conflicts of interest in rendering any such additional services to us after the initial public offering, including, for example, in connection with the sourcing and consummation of an initial business combination;
- we may attempt to complete our initial business combination with a private company about which little information is available, which may result in a business combination with a company that is not as profitable as we suspected, if at all;
- since our initial stockholders will lose their entire investment in us if our initial business combination is not completed (other than with respect to any public shares they may acquire during or after our initial public offering), and because our sponsor, officers and directors may profit substantially even under circumstances in which our public stockholders would experience losses in connection with their investment, a conflict of interest may arise in determining whether a particular business combination target is appropriate for our initial business combination;
- changes in laws or regulations or how such laws or regulations are interpreted or applied, or a failure to comply with any laws or regulations, may adversely affect our business, including our ability to negotiate and complete our initial business combination, and results of operations;
- the value of the founder shares following completion of our initial business combination is likely to be substantially higher than the nominal price paid for them, even if the trading price of our common stock at such time is substantially less than \$10.00 per share;
- resources could be wasted in researching acquisitions that are not completed, which could materially adversely affect subsequent attempts to locate and acquire or merge with another business. If we have not completed our initial business combination within the Combination Period, our public stockholders may receive only approximately \$10.31 per share, or less than such amount in certain circumstances, on the liquidation of our trust account;
- in March 2022, the SEC issued proposed rules relating to certain activities of SPACs. Certain of the procedures that we, a potential business combination target, or others may determine to undertake in connection with such proposals may increase our costs and the time needed to complete our initial business combination and may constrain the circumstances under which we could complete an initial business combination. The need for compliance with such proposals may cause us to liquidate the funds in the trust account or liquidate the Company at an earlier time than we might otherwise choose;
- if we are deemed to be an investment company for purposes of the Investment Company Act, we would be required to institute burdensome compliance requirements and our activities would be severely restricted. As a result, in such circumstances, unless we are able to modify our activities so that we would not be deemed an investment company, we may abandon our efforts to complete an initial business combination and instead liquidate the Company;

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- to mitigate the risk that we might be deemed to be an investment company for purposes of the Investment Company Act, we may, at any time, instruct the trustee to liquidate the investments held in the trust account and instead to hold the funds in the trust account in an interest bearing demand deposit account until the earlier of the consummation of our initial business combination or our liquidation. As a result, following the liquidation of investments in the trust account, we would likely receive less interest on the funds held in the trust account, which would likely reduce the dollar amount our public stockholders would receive upon any redemption or liquidation of the Company;
- we may not be able to complete an initial business combination with certain potential target companies if a proposed transaction with the target company may be subject to review or approval by regulatory authorities pursuant to certain U.S. or foreign laws or regulations, including the Committee on Foreign Investment in the United States. Alberto Pontonio, a director of the Company and a member of its sponsor, ROC Energy Holdings, LLC, is a citizen of Italy and the United States;
- recent increases in inflation and interest rates in the United States and elsewhere could make it more difficult for us to consummate an initial business combination;
- military conflict in Ukraine or elsewhere may lead to increased price volatility for publicly traded securities, which could make it more difficult for us to consummate an initial business combination;
- a 1% U.S. federal excise tax may be imposed on us in connection with our redemptions of shares in connection with a business combination or other stockholder vote pursuant to which stockholders would have a right to submit their shares for redemption;
- there is substantial doubt about our ability to continue as a “going concern”; and
- U.S. energy commodity price volatility could make it more difficult for us to consummate an initial business combination.

For the complete list of risks relating to our operations, see the section titled “Risk Factors” contained [should be considered together with information included elsewhere](#) in our (i) IPO Registration Statement, (ii) [this](#) Annual Report on Form 10-K [for and should not be considered the year ended December 31, 2021, as filed with only risks to which the SEC on March 24, 2022; and \(ii\) Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2022, June 30, 2022, and September 30, 2022, as filed with the SEC on May 16, 2022, August 12, 2022, and November 8, 2022, respectively. Any Company is exposed. Additionally, mitigation of these risk factors is tracked by management as part of the Cybersecurity Maturity Roadmap.](#)

- Disruptions in the Company's supply chain could result in an adverse impact on results of operations.
- Network compromise or equipment sabotage could impact the operations of the manufacturing or distribution sites which could impact the revenue.
- Cybersecurity incidents, including breaches of confidential information, sensitive data, personal information, or intellectual property could damage the Company's reputation, disrupt operations, increase costs, and impact revenues.
- Nation state attacks due to current geopolitical and economic climate could impact oil and gas industry.

### **Engagement of Third Parties**

The Company uses an IT Managed Service Provider in conjunction with a significant Cybersecurity Advisory firm to perform various functions, guiding the Company's cybersecurity posture, and providing ongoing support to the Company's cybersecurity program.

The Company has Incident Response retainer services that can be leveraged, when needed.

The Company uses a third-party external auditor to perform annual audits, which include cybersecurity components, and a cybersecurity advisory firm to conduct annual risk assessments and penetration tests.

To manage third-party risks, the Company has a Third-Party Risk Management Policy and procedures in place. The process involves performing reviews of the cybersecurity controls of third-party vendors that have access to the Company's confidential or sensitive information, or those who may have access to the Company's systems. Since the process was established, key critical vendors who

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may have material impact on the Company's confidentiality, integrity or availability of data were prioritized and reviews were completed. The review of other relevant third-party vendors upon onboarding began in January 2024.

### **Board Oversight of Cybersecurity Matters**

The cybersecurity dashboard with roadmap progress is shared with the board of directors regularly, which includes actions completed and any topics that need board awareness / sponsorship such as approval of budgets which include cyber security project initiatives.

An in-depth update regarding cyber security is discussed during quarterly meetings with the Audit Committee. The Audit Committee is ultimately responsible for overseeing management's execution of the Company's cybersecurity risk management program.

The Chief Financial Officer (CFO) and designees are responsible for reviewing and approving the Cybersecurity Risk Management processes, or exceptions to such processes.

External Counsel is consulted on legal matters related to Cybersecurity Risk or Incident Management as deemed necessary by leadership.

Additionally, the Cybersecurity Risk Committee holds periodic Cybersecurity Governance Forums, in which detailed cybersecurity program updates and metrics are reported.

The Company's Chief Financial Officer and VP of Finance are responsible for the oversight and communication of cybersecurity threats and risks to the Company's Board of Directors. They meet regularly with the Board of Directors where a Cybersecurity roadmap progress is shared with the board.



## Item 2. Properties.

As of December 31, 2023, our one operating and reporting segment operated out of 16 facilities in 13 locations, 12 of which are located in the United States and one of which is located in Canada. Our properties are comprised of service centers and manufacturing facilities, 100% of which are leased. Please see the table below for additional information on our properties:

Location	Type	Own/Lease
<i>United States:</i>		
Bakersfield, CA	Service Center	Lease
Broussard, LA	Service Center, Manufacturing	
	Facility	Lease
New Iberia, LA	Service Center	Lease
Shreveport, LA	Service Center	Lease
Williston, ND	Service Center	Lease
Oklahoma City, OK	Service Center	Lease
Charleroi, PA	Service Center	Lease
Houston, TX	Service Center, Manufacturing	
	Facility	Lease
Midland, TX <sup>(1)</sup>	Service Center	Lease
Odessa, TX <sup>(1)</sup>	Service Center, Manufacturing	
	Facility	Lease
Carlsbad, NM	Service Center	Lease
Casper, WY	Service Center	Lease
Vernal, UT	Service Center	Lease
<i>Canada:</i>	Service Center	Lease
Nisku, Canada	Service Center	Lease
<sup>(1)</sup> Consists of two facilities		

## Item 3. Legal Proceedings.

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. Although no

assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have, in the opinion of our management, there is no pending litigation, dispute or claim against us that, if decided adversely, will have a material adverse effect on our results of operations, financial condition or financial condition. Additional risks could arise that may also affect our business or ability to consummate an initial business combination. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

For risks related to Drilling Tools cash flows. See Note 15, *Commitments and the Drilling Tools Business Combination*, please see the *Drilling Tools Registration Statement*. *Contingencies*.

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**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

Our executive offices are located at 16400 Dallas Parkway Dallas, Texas 75248, and our telephone number is (972) 392-6180. The cost for our use of this space is included in the \$13,000 per month fee we pay to an affiliate of our sponsor for office space, administrative and shared personnel support services. We consider our current office space adequate for our current operations.

**Item 3. Legal Proceedings.**

To the knowledge of our management team, there is no litigation currently pending or contemplated against us, any of our officers or directors in their capacity as such or against any of our property.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

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## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****(a) Market Information**

Our units, public shares and public rights are each traded. The Common Stock is listed on Nasdaq under the symbols ROCAU, ROC and ROCAR, respectively. Our units commenced public trading on December 2, 2021, symbol "DTI". On December 29, 2023, and our public shares and public rights commenced separate public trading on December 29, 2021.

**(b) Holders**

On March 20, 2023, the closing price of the Common Stock was \$3.20 per share. As of December 31, 2023, there were two approximately 86 holders of record of our units, seven holders of record of Common Stock. Such number does not include beneficial owners holding shares of our common stock and one holder of record of our rights, the Common Stock through nominees.

**(c) Dividend Policy**

**Dividends**

We have not paid any cash dividends on our common stock, the Common Stock. We currently intend to date retain any future earnings and do not intend expect to pay cash dividends prior to the completion of our initial business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of our initial business combination. The payment of any cash dividends subsequent to our initial business combination will be within the discretion of our board of directors at such time. In addition, our board of directors is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future. Further, if we incur any indebtedness in connection with our initial business combination, our ability to declare pay dividends may on the Common Stock could be limited restricted by restrictive covenants the terms of the Credit Facility Agreement or the terms of any agreement governing other indebtedness we may agree incur. Any future determination to in connection therewith.

**(d) Securities Authorized for Issuance Under Equity Compensation Plans**

None.

**(e) Recent Sales of Unregistered Securities**

None.

**(f) Use of Proceeds from declare cash dividends will be made at the Initial Public Offering**

None. For a description discretion of the use Board, subject to applicable laws, and will depend on a number of proceeds generated in factors, including our initial public offering financial condition, results of operations, capital requirements, contractual restrictions, general business conditions and private placement, see Part II, other factors that the Board may deem relevant.

The information relating to our equity compensation plans required by Item 5 of our Annual Report on Form 10-K 5.

“Market for the year ended December 31, 202, as filed with the SEC on March 24, 2022. There has been no material change in the planned use of proceeds from our initial public offering Registrant’s Common Equity, Related Stockholder Matters and private placement as described in the IPO Registration Statement.

**(g) Issuer Purchases of Equity Securities Securities” is incorporated by the Issuer reference to such information as set forth in Item 12. “Security Ownership of Certain Beneficial Owners and Affiliated Purchasers**

None.

**Item 6. [Reserved]**

**Item 6. Selected Financial Data. [Reserved]**

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## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Cautionary Note Regarding Forward-Looking Statements

All statements other than statements of historical fact included in this Report including, without limitation, statements in this section regarding our financial position, *Drilling Tools International Holdings, Inc. ("DTIH") entered into a business strategy and the plans and objectives of management for future operations, are forward-looking statements. When used in this Report, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on combination agreement (the "Agreement") with ROC Energy Acquisition Corp. ("ROC") on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those February 13, 2023. The transactions contemplated by the forward-looking statements as a result of certain factors detailed Agreement (the "Merger") were completed on June 20, 2023, and in our filings conjunction therewith ROC changed its name to Drilling Tools International Corporation ("DTIC" and, together with its subsidiaries, "DTI", the SEC. All subsequent written "Company", "we", "us" or oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph. "our", unless the context otherwise requires).*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with *the our audited annual financial statements and the related notes included under Item 8 – Consolidated Financial Statements and Supplementary Data of this Annual Report on Form 10-K (the "Report") as well as DTIH's audited consolidated financial statements and notes thereto contained elsewhere included in the prospectus/proxy statement/consent solicitation statement, dated May 12, 2023, and filed with the SEC. The discussion and the analysis should also be read together with the information set forth in the section entitled "Business." The following discussion contains forward-looking statements based upon current expectations that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" or in other parts of this Report. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

### Recent Developments Overview

On February 13, 2023, We are a leading OSC, based on the percentage of active rigs to which we entered into supply tools in the Drilling Tools Merger Agreement with Drilling Tools and Merger Sub. Drilling Tools is a Houston based oilfield services company geographies in which we are active, that rents downhole drilling tools used in horizontal and directional drilling of oil and natural gas wells. Drilling Tools operates gas. We operate from 22 16 locations across in North America and 4 international stocking points in Europe and the Middle East. At East, and maintain a large fleet of rental equipment consisting of drill collars, stabilizers, crossover subs, wellbore conditioning tools, drill pipe, hevi-wate drill pipe and tubing. We also rent surface control equipment such as blowout preventers and handling tools and provide downhole products for producing wells.

Our business model primarily centers on revenue generated from tool rentals and product sales. We generated revenue from tool rentals and product sales of \$152.0 million and \$129.6 million for the closing years ended December 31, 2023 and 2022, respectively, and had net income of \$14.7 million and

\$21.1 million for those same periods. We historically incurred significant operating losses since inception. As of December 31, 2023 and 2022, we had an accumulated deficit of \$6.3 million and \$21.1 million, respectively.

We believe our future financial performance will be driven by continued investment in oil and gas drilling following years of industry underinvestment.

### Market Factors

Demand for our services and products depends primarily upon the general level of activity in the oil and gas industry, including the number of active drilling rigs, the number of wells drilled, the depth and working pressure of these wells, the number of well completions, the level of well remediation activity, the volume of production and the corresponding capital spending by oil and natural gas companies. Oil and gas activity is in turn heavily influenced by, among other factors, investor sentiment, availability of capital and oil and gas prices locally and worldwide, which have historically been volatile.

Our tool rental revenues are primarily dependent on drilling activity and our ability to gain or maintain market share with a sustainable pricing model.

Our product sales revenues are primarily dependent on oil and gas companies paying for tools that are lost or damaged in their drilling programs as well as the drilling contractors need to replace aging or consumable products and our ability to provide competitive pricing.

These factors may be influenced by the oil and gas region in which our customers operate. While these factors may lead to differing revenues, we have generally been able to forecast our product needs and anticipated revenue levels based on historic trends in a region and with a specific customer.

### Recent Developments and Trends

In 2020 and early 2021, demand for oil significantly declined as a result of the transactions contemplated COVID-19 pandemic and other factors. Oil prices have since increased due in part to an increase in demand for oil and increases in oil production by OPEC+ members. However, prices remained volatile through 2022. In the first half of 2022, West Texas Intermediate ("WTI") oil prices and volatility thereof increased dramatically, in large part due to Russia's invasion of Ukraine. Russia has since been subject to a host of sanctions, some of which

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limit its ability to export crude oil and other petroleum products. The anticipated impact on supply drove WTI oil prices above \$123 per barrel in early March 2022.

By the end of December 2022, WTI oil prices declined to approximately \$80 per barrel due in part to high inflation rates and fears of a global recession that could negatively impact oil demand. WTI oil prices declined further during the first quarter of 2023, reaching a low of \$67 per barrel in the middle of March, following turmoil in the banking sector, which escalated fears of a global recession and a concomitant decline in oil demand. However, in April 2023, WTI oil prices returned to the low-\$80s per barrel range, due in part to the Organization of Petroleum Exporting Countries and other oil producing nations' ("OPEC+'s") decision to further cut production by approximately 1.2 million barrels per day. This production cut was effective as of May 2023 and continued through the end of the year.

Despite this high volatility in spot oil prices, our customers tend to focus more on medium-term and long-term commodity prices when making investment decisions due to the longer lead times of offshore projects. These forward prices experienced far less volatility in 2022 and the early part of 2023, and they have remained at levels that are highly favorable for offshore project demand.

Prices for natural gas have decreased throughout 2023 relative to 2022 in the United States due to several factors, including an increase in natural gas production, consistent consumption year over year, and increased natural gas inventories. Henry Hub natural gas spot prices have decreased from an average of \$5.53 per one million British Thermal Units ("MMBtu") for December 2022 and \$2.52 per MMBtu in December 2023.

The ongoing conflict in Ukraine and the evolving Israel-Hamas conflict have caused uncertainty in the financial markets and the oil and natural gas markets, both globally and in the United States. Such uncertainty has already caused, and could continue to cause, stock price volatility and supply chain disruptions. This uncertainty could cause higher oil and natural gas prices. Such elevated prices could in turn cause higher inflation, which could impact consumer spending and negatively impact demand for our goods and services. Moreover, additional interest rate increases by the **Drilling Tools Merger Agreement**, U.S. Federal Reserve could further increase the probability of a recession.

Notwithstanding the significant commodity price volatility over the past several years, we have seen decreases in United States onshore drilling activity. During the year ended December 31, 2023, the weekly average U.S. onshore rig count as reported by Baker Hughes was 667 compared to 705 for the year ended December 31, 2022, respectively. Current rig activity remains significantly improved from 2020 levels when the weekly average rig count for the year ended December 31, 2020 was 418.

### **Inflation and Increased Costs**

We are experiencing the impacts of global inflation, both in increased personnel costs and the prices of goods and services required to operate our rigs and execute capital projects. While we are currently unable to estimate the ultimate impact of rising prices, we do expect that our costs will continue to rise in the near term and will impact our profitability. To date, we do not believe that inflation has had a material impact to our financial condition or results of operations because we have been able to increase the prices we receive from our customers.

### **How We Evaluate Our Operations**

We use a number of financial and operational measures to routinely analyze and evaluate the performance of our business, including revenue, net and non-GAAP measures Adjusted EBITDA and Free Cash Flow.

### **Revenue, net**

We analyze our performance by comparing actual monthly revenue to revenue trends and revenue forecasts by product line as well as tool activity trends for each month. Our revenue is primarily derived from tool rental and product sales.

### **Adjusted EBITDA**

We regularly evaluate our financial performance using Adjusted EBITDA. Our management believes Adjusted EBITDA is a useful financial performance measure as it excludes non-cash charges and other transactions not related to our core operating activities and allows more meaningful analysis of the trends and performance of our core operations.

### **Free Cash Flow**

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We define Free Cash Flow as net cash (used in) provided by operating activities, less purchases of property, plant and equipment. Free Cash Flow is a supplemental non-GAAP financial measure that is used by our management and other external users of our financial statements, such as industry analysts, investors, lenders, rating agencies and others to assess our ability to internally fund our capital program, service or incur additional debt and pay dividends. We believe Free Cash Flow is a useful liquidity measure because it allows us and others to compare cash flow provided by operating activities across periods and to assess our ability to internally fund our capital program, reduce leverage, fund acquisitions and pay dividends to Stockholders where applicable.

Please refer to the section titled “Non-GAAP Financial Measures” below for a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial performance measure calculated and presented in accordance with GAAP, and a reconciliation of Free Cash Flow to net cash (used in) provided by operating activities, the most directly comparable liquidity measure calculated and presented in accordance with GAAP.

### **Key Components of Results of Operations**

The discussion below relating to significant line items from our consolidated statements of operations and comprehensive income are based on available information and represent our analysis of significant changes or events that impact the comparability of the reported amount. Where appropriate, we have



identified specific events and changes that affect comparability or trends and, where reasonably practicable, we have quantified the impact of such items.

### **Revenue, net**

We currently generate our revenue, net from tool rental services and product sales. Tool rental services, which consists of rental services, inspection services, and repair services, is accounted for under Topic 842. We recognize revenues from renting tools on a straight-line basis. Our rental contract periods are daily, monthly, per well, or based on footage. As part of this straight-line methodology, when the equipment is returned, we recognize as incremental revenue the excess, if any, of the amount the customer is contractually required to pay, which is based on the rental contract period applicable to the actual number of days the drilling tool was rented, over the cumulative amount of revenue recognized to date.

The rental tool recovery component of product sales revenue is recognized when a tool is deemed to be lost-in-hole, damaged-beyond-repair, or lost-in-transit while in the care, custody, or control of the customer. Other made to order product sales revenue is recognized when the product is made available to the customer for pickup at our shipping dock.

We expect our tool rental services revenue to increase due to an expected increase in drilling activity, customer pricing and market share.

We expect our product sales revenue to increase because we expect oil and gas companies to continue to drill faster and harder, thereby pushing the limits of downhole drilling tools and often contributing to tools being lost-in-hole or damaged-beyond-repair. In addition, we expect that product sales revenue will increase as aged and consumable products will continue to be replaced in order to maintain or increase capacity.

### **Costs and Expenses**

Our costs and expenses consist of cost of revenue, selling, general and administrative expense, and depreciation and amortization expense.

#### **Cost of Revenue**

Our cost of revenue consists primarily of all direct and indirect expenses related to providing our tool rental services offering and delivering our product sales, including personnel-related expenses and costs associated with maintaining the facilities.

We expect our total cost of tool rental revenue and our total cost of product sale revenue to increase in absolute dollars in future periods, corresponding to our anticipated growth in revenue and employee headcount. This increase in headcount is intended to support our customers and maintain the manufacturing, operations and field service team. The expected increase in these two costs builds-in some expected cost inflation.

We expect that gross margins will continue to improve slightly as we leverage our existing cost structure to increase our business activity. In addition, we expect that customer price increases will help offset cost

inflation.

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### *Selling, General and Administrative Expense*

General and administrative expenses consist primarily of personnel-related expenses, including salaries, benefits and stock-based compensation for personnel, and outside professional services expenses including legal, audit and accounting services, insurance, other administrative expenses and allocated facility costs for our administrative functions.

We expect our operating expenses to increase in absolute dollars for the foreseeable future as a result of operating as a public company. In particular, we expect our legal, accounting, tax, personnel-related expenses and directors' and officers' insurance costs reported within general and administrative expense to increase as we establish more comprehensive compliance and governance functions, increase security and IT compliance functions, review internal controls over financial reporting in accordance with the DGCL, Merger Sub will be merged with Sarbanes-Oxley Act and into Drilling Tools, with Drilling Tools surviving prepare and distribute periodic reports as required by the merger as a wholly-owned subsidiary rules and regulations of the Company. SEC. As a result, our historical results of operations may not be indicative of our results of operations in future periods.

For a full description Selling expenses consist primarily of the Drilling Tools Merger Agreement personnel-related expenses, including salaries, benefits and the proposed Drilling Tools Business Combination, please see "Item 1. Business." stock-based compensation for personnel, direct advertising, marketing and promotional material costs, sales commission expense, consulting fees and allocated facility costs for our sales and marketing functions.

### *Overview*

We are a blank check company formed under the laws of the State of Delaware on September 2, 2021 for the purpose of effecting a business combination with one or more businesses. We intend to effectuate an initial business combination using cash from the proceeds of the initial public offering increase investments in our sales and the sale of the private units, marketing organization to increase revenue, expand our capital stock, debt or a combination of cash, stock global customer base, and debt.

broaden our brand awareness. We expect our sales and marketing expenses to continue to incur significant costs increase in absolute dollars for the pursuit foreseeable future.

### *Depreciation and Amortization Expense*

Depreciation and amortization expense relates to the consumption of our acquisition plans. We cannot assure you that property and equipment, which consists of rental tools, shop equipment, computer

equipment, furniture and fixtures and leasehold improvements, and the amortization of our plans intangible assets mainly related to complete an initial business combination, including the Drilling Tools Business Combination, will be successful. customer relationships, software and partnerships.

### **Other (expense) income, net**

Our other (expense) income, net is primarily comprised of interest income (expense), gain on sale of property, unrealized gain (loss) on securities, and other miscellaneous income and expense unrelated to our core operations.

## **Results of Operations**

We have neither engaged in any **Comparison of the Years Ended December 31, 2023 and 2022**

The following table set forth our results of operations (other than searching for an initial business combination after our initial public offering) nor generated any revenues to date. Our only activities from September 2, 2021 (inception) through December 31, 2022 were organizational activities, those necessary to prepare for the initial public offering, described below, years ended December 31, 2023 and subsequent 2022:

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(In thousands)	Year Ended December 31,	
	2023	2022
<b>Revenue, net:</b>		
Tool rental	\$ 119,239	\$ 99,018
Product sale	32,795	30,538
<b>Total revenue, net</b>	<b>152,034</b>	<b>129,556</b>
<b>Operating costs and expenses:</b>		
Cost of tool rental revenue	30,960	27,581
Cost of product sale revenue	4,559	5,423
Selling, general, and administrative expense	68,264	51,566
Depreciation and amortization expense	20,352	19,709
<b>Total operating costs and expenses</b>	<b>124,135</b>	<b>104,279</b>
<b>Operating income</b>	<b>27,899</b>	<b>25,277</b>
<b>Other expense, net:</b>		
Interest expense, net	(1,103)	(477)
Gain on sale of property	101	127

Loss on asset disposal	(489)	
Unrealized gain (loss) on equity securities	(255)	234
Other expense, net	(6,359)	(384)
<b>Total other expense, net</b>	<b>(8,105)</b>	<b>(500)</b>
Income before income tax expense	19,794	24,777
Income tax expense	(5,046)	(3,697)
<b>Net income</b>	<b>\$ 14,748</b>	<b>\$ 21,080</b>

### Revenue, net

Our revenue, net consists of tool rental and product sale revenues.

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Tool rental	\$ 119,239	\$ 99,018	\$ 20,221	20 %
Product sale	\$ 32,795	\$ 30,538	\$ 2,257	7 %

Tool rental revenue increased \$20.2 million, or 20%, to \$119.2 million for the initial public offering, identifying year ended December 31, 2023 as compared to \$99.0 million for the year ended December 31, 2022. The increase was primarily driven by increased market activity and customer pricing across all divisions, especially in relation to our Directional Tool Rentals ("DTR") division, the revenue of which increased \$10.3 million, our Premium Tools Division ("PTD"), the revenue of which increased \$7.2 million, and our Wellbore Optimization Tools ("WOT") division, the revenue of which increased \$2.1 million. No other driver of this increase was individually significant.

Product sale revenue increased \$2.3 million, or 7%, to \$32.8 million for the year ended December 31, 2023 as compared to \$30.5 million for the year ended December 31, 2022. The increase was primarily driven by increased market activity, specifically related to our accessory revenue.

### Costs and Expenses

#### Cost of Revenue

Our cost of revenue consists of cost of tool rental revenue and cost of product sale revenue.

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Cost of tool rental revenue	\$ 30,960	\$ 27,581	\$ 3,379	12 %
Cost of product sale revenue	\$ 4,559	\$ 5,423	\$ (864)	(16) %

Cost of tool rental revenue increased \$3.4 million, or 12%, to \$31.0 million for the year ended December 31, 2023 as compared to \$27.6 million for the for the year ended December 31, 2022. Across all divisions, the increase in cost of tool rental revenue was primarily driven by increased labor costs as well as increased repair costs due to increased rental activity.

Cost of product sale revenue decreased \$0.9 million, or 16%, to \$4.6 million for the year ended December 31, 2023 as compared to \$5.4 million for the for the year ended December 31, 2022. The decrease in cost of product sale revenue was primarily driven by a target company decrease in manufacturing costs during 2023.

#### *Selling, General, and Administrative Expense*

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Selling, general, and administrative expense	\$ 68,264	\$ 51,566	\$ 16,698	32 %

Selling, general, and administrative expense increased \$16.7 million, or 32%, to \$68.3 million for the year ended December 31, 2023 as compared to \$51.6 million for the year ended December 31, 2022. This increase was primarily driven by an initial business combination. We do not expect to generate any operating revenues until after the completion increase in personnel-related expenses of our initial business combination. We expect to generate non-operating income \$10.5 million. Additionally, there was an increase in the form of interest earned on investments held after the initial public offering. We incur expenses incurred as a result of being the Merger and the transition to becoming a public company (for company. Specifically, there was a \$1.7 million increase in stock option expenses, a \$1.4 million increase in accounting, legal, financial reporting, accounting and auditing compliance) advertising related expenses, and a \$1.2 million increase in insurance expenses. No other driver of this increase was individually significant.

#### *Depreciation and Amortization Expense*

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Depreciation and amortization expense	\$ 20,352	\$ 19,709	\$ 643	3 %

Depreciation and amortization expenses increased \$0.6 million, or 3%, to \$20.4 million for the year ended December 31, 2023 as well compared to \$19.8 million for the year ended December 31, 2022. The increase was primarily due an increase in depreciation expense resulting from a higher property, plant and equipment balance as of December 31, 2023.

#### ***Other expense, net***

##### *Interest Expense, net*

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Interest expense, net	\$ (1,103)	\$ (477)	\$ 626	131 %

Interest expense, net increased \$0.6 million, or 131%, to \$1.1 million for due diligence expenses, including due diligence expenses the year ended December 31, 2023 as compared to \$0.5 million for the year ended December 31, 2022. The main driver of the increase was the settlement of the interest rate swap on July

10, 2023, causing there to be no unrealized gain for the year ended December 31, 2023 as compared to an unrealized gain of \$1.4 million for the year ended December 31, 2022. The decrease in connection with unrealized gain resulted in an increase in total interest expense, net year over year. This increase was partially offset by a decrease of \$0.6 million in interest on the Drilling Tools Business Combination.

For revolving line of credit during the year ended December 31, 2023 as compared to the year ended December 31, 2022, as a result of the revolving line of credit to be paid down completely in June 2023.

#### Loss on asset disposal

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Loss on asset disposal	\$ (489)	\$ —	\$ 489	100%

Loss on asset disposal increased \$0.5 million, or 100%, to \$0.5 million for the year ended December 31, 2023 as compared to nil for the year ended December 31, 2022. The increase is due to there being no loss on asset disposal for the year ended December 31, 2022. The loss on asset disposal for the year ended December 31, 2023 relates to a group of assets disposed of where the net book value of the assets exceeded the consideration received.

#### Unrealized gain (loss) on equity securities

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(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Unrealized gain (loss) on equity securities	\$ (255)	\$ 234	\$ (489)	(209)%

Unrealized loss on equity securities increased by \$0.5 million, or 209%, to \$0.3 million for the year ended December 31, 2023 as compared to an unrealized gain on equity securities of \$0.2 million for the year ended December 31, 2022 primarily due to unfavorable market conditions during 2023 as compared to 2022.

#### Other Expense, net

(In thousands)	Year Ended December 31,		Change	
	2023	2022	Amount	%
Other expense, net	\$ (6,359)	\$ (384)	\$ (5,975)	1,556%

Other expenses, net increased by \$6.0 million, or 1,556%, to \$6.4 million for the year ended December 31, 2023 as compared to \$0.4 million for the year ended December 31, 2022. The increase was primarily due to transaction costs with no comparable activity during 2022.

## Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use the non-GAAP financial measure Free Cash Flow, which is defined as net cash provided by (used in) operating activities, reduced by purchases of property, plant and equipment. We believe Free Cash Flow is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business and is a key financial indicator used by management. Free Cash Flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

We use the non-GAAP financial measure Adjusted EBITDA, which is defined as net income (loss); excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA.

These non-GAAP financial measures should not be considered in isolation from, or as substitutes for, financial information prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures compared to the closest comparable GAAP measure. Some of these limitations are that:

- Free Cash Flow does not reflect our future contractual commitments;
- Adjusted EBITDA excludes certain recurring, non-cash charges such as depreciation of fixed assets and amortization of acquired intangible assets and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Adjusted EBITDA excludes income tax benefit (expense).

The following table presents a reconciliation of Free Cash Flow to net cash provided by (used in) operating activities for the years ended December 31, 2023 and 2022:

(In thousands)	Year Ended December 31,	
	2023	2022
Net cash from operating activities	\$ 23,334	\$ 13,994
Less:		
Purchases of property, plant and equipment	(43,750)	(24,688)
Free Cash Flow	<u>\$ (20,416)</u>	<u>\$ (10,694)</u>

The following tables present a reconciliation of Adjusted EBITDA to net income (loss) for the years ended December 31, 2023 and 2022 (non-recurring transaction expenses recorded to other (income) expense are presented separately within Adjusted EBITDA):

(In thousands)	Year Ended December 31,	
	2023	2022
Net income	\$ 14,748	\$ 21,080
Add (deduct):		
Income tax expense	5,046	3,698
Depreciation and amortization	20,352	19,709
Interest expense, net	1,103	477
Stock option expense	1,661	—
Management fees	1,130	449
Gain on sale of property	(101)	(127)
Loss on asset disposal	489	—
Unrealized gain (loss) on equity securities	255	(234)
Transaction expense	5,979	—
ERC credit received	—	(4,272)
Other expense, net	380	384
Adjusted EBITDA	\$ 51,042	\$ 41,163

### Liquidity and Capital Resources

On December 31, 2023 and 2022, we had \$6.0 million and \$2.4 million of cash and cash equivalents, respectively. Our primary sources of liquidity and capital resources are cash on hand, cash flows generated by operating activities and, if necessary, borrowings under the Credit Facility Agreement. We may use additional cash generated to execute strategic acquisitions or for general corporate purposes. We believe that our existing cash on hand, cash generated from operations and available borrowings under the Credit Facility Agreement will be sufficient for at least the next 12 months to meet working capital requirements and anticipated capital expenditures.

### Credit Facility Agreement

Reference is made to the disclosure set forth under the heading “Revolving Credit Facility” in Note 8, *Revolving Credit Facility*, of the notes to the consolidated financial statements included elsewhere in this Report.

### Capital Expenditures

Our capital expenditures relate to capital additions or improvements that add to our rental or repair capacity or extend the useful life of our drilling tools and related infrastructure. Also, our capital expenditures relate



to the replacement of tools that are lost or damaged by a customer, and such expenditures are funded by a rental tool recovery sale amount paid by the customer. We regularly incur capital expenditures on an on-going basis to (i) increase the size of or maintain our rental tool fleet and equipment, (ii) extend the useful life of our rental tools and equipment and (iii) acquire or upgrade computer hardware and software. The amount of our capital expenditures is influenced by, among other things, demand for our services, recovery of lost or damaged tools, schedules for refurbishing our various rental tools and equipment, cash flow generated by our operations, expected rates of return and cash required for other purposes.

### **Contractual Obligations and Commitments**

Our material contractual obligations arise from leases of facilities and vehicles under non-cancellable operating leases agreements. See Note 15, *Commitments and contingencies*, of the notes to the consolidated financial statements included elsewhere in this Report.

### **Tax Obligations**

We currently have available federal net operating loss carryforwards to offset our federal taxable income, and we expect that these carryforwards will substantially reduce our cash tax payments over the next several years. If we forfeit these carryforwards for any reason or deplete them faster than anticipated, our cash tax obligations could increase substantially. For additional information, see Note 11, *Income Taxes*, of the notes to the consolidated financial statements included elsewhere in this Report.

### **Cash Flows**

The following table sets forth our cash flows for the period indicated:

(In thousands)	Year Ended December 31,	
	2023	2022
Net cash flows from:		
Operating activities	\$ 23,334	\$ 13,994
Investing activities	(23,864)	(2,530)
Financing activities	4,295	(9,337)
Effect of changes in foreign exchange rate	(114)	173
Net increase in cash and cash equivalents	\$ 3,651	\$ 2,300

### **Cash Flows (Used In) Provided by Operating Activities**

Net cash provided by operating activities for the year ended December 31, 2023, was \$23.3 million resulting from our net income of \$1,015,702, which consists \$14.7 million, adjusted for non-cash charges of

interest income \$25.0 million in depreciation and amortization, including amortization of right of use assets and deferred financing costs, \$4.0 million of stock-based compensation expense as a result of the Merger, \$0.5 million of losses on investments held asset disposals, \$3.4 million in the Trust Account deferred tax expense, and \$0.3 million of \$2,843,649, other non-cash charges. This was partially offset by a \$16.7 million gain on rental tool recovery sales and \$8.1 million in net changes from operating costs of \$1,281,902 assets and provision for income taxes of \$546,045.

For the period from September 2, 2021 (inception) through December 31, 2021, we had a net loss of \$235,380, which consists of operating costs of \$252,254, offset by interest income on investments held liabilities. The \$8.1 million in the trust account of \$16,874.

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### **Liquidity and Capital Resources**

On December 6, 2021, we consummated the initial public offering of 18,000,000 units at \$10.00 per unit, generating gross proceeds of \$180,000,000. An additional \$1,800,000 was funded by our sponsor which resulted in a total balance in the trust account of \$181,800,000. Simultaneously with the closing of the initial public offering, we consummated the sale of 715,000 private units at a price of \$10.00 per private unit to the sponsor generating gross proceeds of \$7,150,000.

On December 9, 2021, the underwriters fully exercised their over-allotment option, resulting in an additional 2,700,000 units issued for an aggregate amount of \$27,000,000. In connection with the underwriters' full exercise of their over-allotment option, we also consummated the sale of an additional 81,000 private units at \$10.00 per private unit, generating total proceeds of \$27,810,000. A total of \$27,270,000 was deposited into the trust account, bringing the aggregate proceeds held in the trust account to \$209,070,000.

Following the initial public offering, the full exercise of the over-allotment option, and the sale of the private units, a total of \$181,800,000 was placed in the trust account. We incurred \$4,012,520 in initial public offering related costs, including \$3,600,000 of underwriting fees and \$412,520 of other costs. In connection with the underwriters' full exercise of their over-allotment option, we also consummated the sale of an additional 81,000 private units at \$10.00 per private unit, generating total proceeds of \$27,810,000. A total of \$27,270,000 was deposited into the trust account, including an additional \$540,000 of underwriting fees, bringing the aggregate proceeds held in the trust account to \$209,070,000.

For the year ended December 31, 2022, cash used in operating activities was \$1,667,273. Net loss of \$1,015,702 was affected by interest earned on investments held in the Trust Account of \$2,843,649 and changes in operating assets and liabilities which provided \$69,102 of is primarily due to a \$1.0 million cash outflow in accounts receivable associated with an increase in sales and higher revenues during 2023 compared to 2022, a \$4.4 million cash outflow from operating activities, lease liabilities as we increase right-of-use assets on hand, a \$1.7 million cash outflow from inventories due to purchased inventory related to our attempt to reduce risk and uncertainties in our supply chain, and a \$1.5 million cash out flow in accounts payable due to differences in the timing of disbursements. This was partially offset by a \$0.6 million cash inflow in accrued expenses due to differences in the timing of disbursements. We will continue to evaluate our capital requirements for both short-term and long-term liquidity needs, which could be affected by various risks and uncertainties, including, but not limited to, the effects of the current inflationary environment, rising interest rates, and other risks detailed in the section of this Report entitled "Risk Factors."

For the period from September 2, 2021 (inception) through December 31, 2021, Net cash used in provided by operating activities for the year ended December 31, 2022 was \$13,000. Net loss \$13.9 million, resulting from our net income of \$235,380 \$21.1 million, adjusted for non-cash charges of \$24 million in depreciation and amortization, including amortization of right of use assets, deferred financing costs, and debt discounts, \$0.6 million in provisions for inventory and property, plant, and equipment, and \$1 million in deferred tax expense. This was affected partially offset by interest earned a \$16.8 million gain on investments held rental tool recovery sales, \$14 million in the trust account of \$16,874 and net changes in from operating assets and liabilities, which provided \$239,254 of and \$1.4 million in unrealized gains on interest rate swaps. The \$14 million in cash used from operating activities.

As of December 31, 2022, assets and liabilities is primarily due to a \$9.3 million cash outflow in accounts receivable associated with an increasing sales trend and higher revenues during 2022 compared to 2021, a \$3.5 million cash outflow in prepaid expenses, and a \$0.9 million cash outflow resulting from an increase in purchased inventory as we had seek to reduce risk and uncertainties in our supply chain. This is partially offset by a \$3.8 million cash inflow in accounts payable and marketable securities held accrued expenses due to differences in the trust account timing of \$213,475,172. We intend disbursements during 2022 compared to use substantially all 2021, and a \$4.2 million cash inflow relating to operating lease liabilities associated with our real estate and equipment lease agreements.

#### **Cash Flows (Used In) Provided by Investing Activities**

Net cash used in investing activities for the year ended December 31, 2023 was \$23.9 million. Purchases of property, plant, and equipment of \$43.8 million were partially offset by proceeds from rental tool recovery sales of \$19.7 million and proceeds from sale of property of \$0.2 million.

Net cash used in investing activities for the funds held in year ended December 31, 2022 was \$2.5 million. Proceeds from rental tool recovery sales of \$21.1 million and proceeds from sale of property of \$1.0 million were offset by purchases of property, plant, and equipment of \$24.7 million.

#### **Cash Flows (Used In) Provided by Financing Activities**

Net cash provided by financing activities for the trust account, including any amounts representing interest earned year ended December 31, 2023 was \$4.3 million resulting from proceeds from the Merger and PIPE Financing, net of transaction costs, of \$23.1 million. This was partially offset by a complete paydown on the trust account Credit

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Facility Agreement of \$18.3 million, payments of deferred financing costs of \$0.3 million, and payments to complete our business combination. We may withdraw interest to pay taxes. During the period ended December 31, 2022, we withdrew \$525,351 holders of interest income from the trust account. To the extent that our capital DTIH convertible preferred stock or debt is used, in whole or in part, as consideration to complete our business combination, the remaining proceeds held in the trust account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

As of December 31, 2022, we had \$207,915 of cash held outside of the trust account. We intend to use the funds held outside the trust account primarily perform business due diligence on Drilling Tools, travel to and from the offices, plants or similar locations of Drilling Tools or their representatives or owners, review corporate documents and material agreements of, and structure, negotiate and complete an initial business combination with Drilling Tools.

In order to fund working capital deficiencies or finance transaction costs in connection with an initial business combination, the sponsor, or certain of our officers and directors or their affiliates may, but are not obligated to, loan us funds as may be required. If we complete an initial business combination, we would repay such loaned amounts. In the event that an initial business combination does not close, we may use a portion of the working capital held outside the trust account to repay such loaned amounts but no proceeds from our trust account would be used for such repayment. Up to \$1,500,000 of such loans may be convertible into units at a price of \$10.00 per unit, at the option of the lender. The units would be identical to the private units.

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## Going Concern

In connection with the Company's assessment of going concern considerations in accordance with FASB's ASU 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern," the Company has until June 6, 2023, fifteen months from the closing of its Initial Public Offering, to consummate a business combination. It is uncertain that the Company will be able to consummate a business combination by this time. Additionally, the Company may not have sufficient liquidity to fund the working capital needs of the Company through the Company's liquidation date or one year from the issuance of these financial statements. If a business combination is not consummated by the liquidation date, there will be a mandatory liquidation and subsequent dissolution of the Company. Management has determined that the liquidity condition and mandatory liquidation, should a business combination not occur, and potential subsequent dissolution, raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities should the Company be required to liquidate after June 6, 2023. There can be no assurance that the Company will be able to consummate any business combination by June 6, 2023.

## Off-Balance Sheet Financing Arrangements

We have no obligations, assets or liabilities, which would be considered off-balance sheet arrangements as of December 31, 2022. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. We have not entered into any off-balance sheet financing arrangements, established any special purpose entities, guaranteed any debt or commitments of other entities, or purchased any non-financial assets.

## Contractual Obligations

We entered into an agreement, commencing on December 1, 2021, through the earlier of our consummation of an initial business combination and its liquidation, to pay Fifth Partners, an affiliate of the sponsor, a total of \$13,000 per month for general and administrative services including office space, utilities and secretarial support.

The Company had granted the underwriters a 45-day option from the date of initial public offering to purchase up to 2,700,000 additional Units to cover over-allotments, if any, at the initial public offering price less the underwriting discounts and commissions.

On December 9, 2021, the underwriters elected to fully exercise the over-allotment option to purchase an additional 2,700,000 public shares at a price of \$10.00 per public share.

We engaged EarlyBirdCapital as an advisor in connection with the initial business combination to assist Merger of \$0.2 million.

Net cash used in holding meetings with the stockholders to discuss the potential business combination and the target business' attributes, introduce the us to potential investors that are interested in purchasing

securities in connection with the initial business combination, assist in obtaining stockholder approval financing activities for the business combination and assist with press releases and public filings year ended December 31, 2022 was \$9.3 million resulting from a net decrease in connection with the initial business combination. We will pay EarlyBirdCapital a cash fee for such services upon the consummation of the initial business combination in an amount equal to 3.5% of the gross proceeds of the initial public offering (exclusive of any applicable finders' fees which might become payable). In addition, we will pay EarlyBirdCapital a cash fee in an amount equal to 1.0% of the total consideration payable to the target in the initial business combination if EarlyBirdCapital introduces the target business with whom we complete the initial business combination; provided that the foregoing fee will not be paid prior to the date that is 60 days from the effective date of the IPO Registration Statement, unless such payment would not be deemed underwriters' compensation in connection with the initial public offering pursuant to FINRA Rule 5110. In connection with the Merger Agreement on February 13, 2023, we have amended EarlyBirdCapital's fees amounts outstanding under the Business Combination Marketing Credit Facility Agreement from (i) 3.5% of the total gross proceeds raised in the initial public offering \$8.1 million, payments of long-term debt of \$1.0 million, and (ii) 1% payments of the total consideration deferred financing costs of an initial business combination transaction to a flat cash fee of \$2,000,000 \$0.2 million.

## Critical Accounting Policies and Estimates

### The preparation of

In preparing our annual financial statements and related disclosures in conformity accordance with generally accepted accounting principles generally accepted in the United States of America requires management to ("GAAP"), we make numerous estimates and assumptions that affect the reported accounting for and recognition and disclosure of assets, liabilities, equity, revenues and expenses. We must make these estimates and assumptions because certain information that we use is dependent on future events, cannot be calculated with a high degree of precision from available data or is not otherwise capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine, and we must exercise significant judgment. Actual results could differ materially from the estimates and assumptions that we use in the preparation of our financial statements. We identify certain accounting policies as critical based on, among other things, their impact on the portrayal of our financial condition and results of operations and the degree of difficulty, subjectivity and complexity in their deployment. Note 1, Summary of significant accounting policies, to the financial statements included elsewhere in this Report includes a summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements.

The critical accounting estimates, assumptions and judgments we believe to have the most significant impact on the annual financial statements are described below. See Note 1, *Summary of significant accounting policies*, to the financial statements included elsewhere in this Report for additional information related to critical accounting estimates and significant accounting policies.

### Revenue recognition

On January 1, 2019, we adopted Accounting Standards Codification ("ASC") 606 on a modified retrospective basis for all contracts with customers. As a result of the adoption, there were no material changes to the timing of the revenue recognition or measurement of revenue. Therefore, the only changes to the financial statements related to the adoption are in the disclosures as included herein. We adopted ASC 842, Leases ("ASC 842") as of January 1, 2022. ASC 842 was adopted using the modified

retrospective transition approach, with no restatement of prior periods or cumulative adjustments to retained earnings.

We recognize revenue in accordance with two different accounting standards: 1) Topic 606 (which addresses revenue from contracts with customers) and 2) Topic 842 (which addresses lease revenue). We derive our revenue from two revenue types: tool rental services and product sales.

#### *Tool Rental Services*

Tool rental services consist of rental services, inspection services, and repair services. Tool rental services are accounted for under Topic 842.

Owned tool rentals represent our most significant revenue type and are governed by our standard rental contract. We account for such rentals as operating leases. The lease terms are included in the contracts, and the determination of whether our contracts contain leases generally does not require significant assumptions or judgments. Owned tool rentals represent revenue from renting tools that we own. We do not generally provide an option for the lessee to purchase the rented equipment at the end of the lease. The Company recognizes revenues from renting tools on a straight-line basis. The Company's rental contract periods are daily, monthly, or per well. As part of this straight-line methodology, when the equipment is returned, the Company recognizes as incremental revenue the excess, if any, between the amount the customer is contractually required to pay, which is based on the rental contract period applicable to the actual number of days the drilling tool was out on rent, over the cumulative amount of revenue recognized to date. In any given accounting period, the Company will have customers return the drilling tool and be contractually required to pay the Company more than the cumulative amount of revenue recognized to date under the straight-line methodology. Additionally, the Company has rental contracts that are based on usage, either on a per footage or per well basis. As these types of rental contracts primarily consist of variable lease payments, which are unknown at commencement, revenue is recognized when the changes in the factor on which the contingent lease payments are based occur. When the customer returns the rental equipment and the footage or usage becomes known, the Company recognizes revenue. We record the amounts billed to customers in excess of recognizable revenue as deferred revenue on our consolidated balance sheet.

As noted above, we are unsure of when the customer will return rented drilling tools. As such, we do not know how much the customer will owe us upon return of the tool and we therefore cannot provide a maturity analysis of future lease payments. Our drilling tools are generally rented for short periods of time, oftentimes for significantly less than a year. Lessees do not provide residual value guarantees on rented equipment.

We expect to derive significant future benefits from our drilling tools following the end of the rental term. Our rentals are generally short-term in nature, and our tools are typically rented for the majority of the time that we own them.

#### *Product Sales*



Product sales consist of charges for rented tools that are damaged beyond repair, charges for lost-in-hole, and charges for lost-in-transit while in the care, custody or control of our customers, and other charges for made to order product sales. Product sales are accounted for under Topic 606.

Revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for our arrangements with customers, we: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

We account for a contract when we have approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The transaction price is measured as consideration specified in a contract with a customer and excludes any sales incentives and taxes or other amounts collected on behalf of third parties. As each of our contracts with customers contain a single performance obligation to provide a product sale, we do not have any performance obligations requiring allocation of transaction prices.

The performance obligation for made to order product sales is satisfied and revenue is recognized when control of the asset transfers to the customer, which typically occurs upon delivery of the product or when the product is made available to the customer for pickup at our shipping dock. Additionally, pursuant to the contractual terms with our customers, the customer must notify us of, and purchase from us, any rented tools that are damaged beyond repair, lost-in-hole, or lost-in-transit while in the care, custody or control of such customer. Revenue is recognized for these products when the customer notifies us that one of these noted events has occurred.

We do not have any material revenue expected to be recognized in the future related to remaining performance obligations or contracts with variable consideration related to undelivered performance obligations. There was no revenue recognized in the current period from performance obligations satisfied in previous periods.

#### *Contract estimates and judgments*

Our revenues accounted for under Topic 606 generally do not require significant estimates or judgments, primarily because:

- The transaction price is generally fixed and stated in our contracts;
- As noted above, our contracts generally do not include multiple performance obligations, and accordingly, do not require estimates of standalone selling price for each performance obligation;
- Our revenues do not include material amounts of variable consideration, or result in significant obligations associated with returns, refunds, or warranties; and
- Most of our revenue is recognized when the applicable performance obligations are readily determinable. As noted above, our Topic 606 revenue is generally recognized at the time of delivery to, or made available for pick-up by, the customer or upon notification from our customers that a rented tool is damaged beyond repair, lost-in-hole, or lost-in-transit while in the care, custody, or control of our customers.

Our revenues accounted for under Topic 842 also generally do not require significant estimates or judgments. We monitor and review our estimated standalone selling prices on a regular basis.



When active market quotes are not available, management uses valuation techniques to measure the fair value of financial instruments.

In applying the valuation techniques, management makes maximum use of market inputs wherever possible, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. Such estimates include liquidity risk, credit risk and volatility, and such estimates may vary from the actual results that would be achieved in an arm's length transaction at the reporting date. The assessment of the timing and extent of impairment of intangible assets involves both significant judgements by management about the current and future prospects for the intangible assets as well as estimates about the factors used to quantify the extent of any impairment that is recognized.

**Stock-Based Compensation**

We account for stock-based compensation in accordance with ASC 718, Compensation - Stock Compensation. ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock awards, be measured based on the grant-date fair value of the award. We adopted FASB ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, on February 1, 2019. This ASU involves several aspects of the accounting for stock-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the accompanying consolidated statements of cash flows. The adoption did not have a material impact on accompanying consolidated financial statements. We determine the fair value of stock options granted using the Black-Scholes-Merton option-pricing model ("Black-Scholes model") and recognizes the cost over the period during which an employee is required to provide service in exchange for the award, generally the vesting period, with forfeitures accounted for as they occur. For the stock options granted prior to the Company's common stock being publicly traded on June 21, 2023, the Company estimated the fair value of its common stock as of the grant date and used these estimates as inputs into the Black-Scholes model. The Board of Directors considered numerous objective and subjective factors to determine the fair value of the Company's common stock at each meeting in which awards were approved. The factors considered include, but were not limited to: (i) the results of contemporaneous independent third-party valuations of the Company's common stock; (ii) the prices, rights, preferences, and privileges of the redeemable convertible preferred stock relative to those of its common stock; (iii) the lack of marketability of the Company's common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or sale of the Company, given prevailing market conditions; and (vii) precedent transactions involving the Company's shares.

**Leases**

We adopted ASC 842, Leases ("ASC 842") as of January 1, 2022. ASC 842 was adopted using the modified retrospective transition approach, with no restatement of prior periods or cumulative adjustments to retained earnings. Upon adoption, we elected the package of transition practical expedients, which allowed us to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. We elected the use-of-hindsight to reassess lease term. We elected not to recognize leases with an initial term of 12 months or less within the consolidated balance sheets and to recognize those lease payments on a straight-line basis in the consolidated statements of operation over the lease term. The new lease accounting standard also provides practical expedients for an entity's ongoing accounting. We elected the practical expedient to not separate lease and non-lease components for all leases. We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and current operating lease liabilities disclosure and operating lease liabilities, net of contingent current portion on our consolidated balance sheets. We recognize lease expense for its operating leases on a straight-line basis over the term of the lease. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from a lease. ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets also include the impact of any lease incentives. An amendment to a lease is assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the financial statements, modification using an incremental borrowing rate based on the information available at the commencement date. For modified leases we also reassess the lease classification as of the effective date of the modification. The interest rate used to determine the present value of the future lease payments is our incremental borrowing rate because the interest rate implicit in our leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and income payments, and expenses during in economic environments where the leased asset is located.

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Our lease terms include periods reported. Actual results could materially differ from those estimates. under options to extend or terminate the lease when it is reasonably certain that we will exercise that option in the

measurement of its ROU assets and liabilities. We have identified consider contractual-based factors such as the following critical accounting policies:

**Common Stock Subject nature and terms of the renewal or termination, asset-based factors such as physical location of the asset and entity-based factors such as the importance of the leased asset to Possible Redemption**

our operations to determine the lease term. We account generally use the base, non-cancelable lease term when determining the ROU assets and lease liabilities. The ROU asset is tested for our common stock subject to possible redemption impairment in accordance with Accounting Standards Codification Topic 360, Property, Plant, and Equipment.

#### Lessor Accounting

Our leased equipment primarily consists of rental tools and equipment. Our agreements with our customers for rental equipment contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the guidance in ASC Topic 480 "Distinguishing Liabilities customer has the right to obtain substantially all of the economic benefits from Equity." Common stock subject the use of the identified asset throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use.

Our lease agreement contract periods are daily, monthly, per well, or based on footage. Lease revenue is recognized on a straight-line basis based on these rates. We do not provide an option for the lessee to mandatory redemption is classified as a liability instrument purchase the rented tools at the end of the lease and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that are either the lessees do not provide residual value guarantees on the rented assets.

We recognized operating lease revenue within the control "Tool Rental Revenue" line on the consolidated statements of income and comprehensive income.

#### **Long-Lived Asset Impairment**

We evaluate the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to, (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent to or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the holder or subject to redemption upon amount originally expected for the occurrence acquisition of uncertain events not solely within an asset. We measure the Company's control) is classified in temporary equity. At all other times, common stock is classified as stockholders' equity. The Company's public shares feature certain redemption rights that are considered to be outside carrying amount of the Company's control and subject to occurrence of uncertain asset against the estimated undiscounted future events. Accordingly, at December 31, 2022 and 2021, cash flows associated with it. Should the public shares are presented at redemption value as temporary equity, outside sum of the stockholders' equity (deficit) section of the Company's balance sheet. We recognize changes in redemption value immediately as they occur and adjusts expected future net cash flows be less than the carrying value of the common stock subject to possible redemption to equal asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the redemption amount by which the carrying value at the end of each reporting period. This method would

view the end of the reporting period as asset exceeds its fair value. The fair value is measured based on quoted market prices, if it were also available. If quoted market prices are not available, the redemption date for estimate of fair value is based on various valuation techniques, including the security, discounted value of estimated future cash flows. The evaluation of asset impairment requires us to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. For the year ended December 31, 2023 and 2022, management determined that there was no impairment with regard to our intangible assets.

#### Net Income (Loss) per Common Share

Net income (loss) per common share For property, plant and equipment, events or circumstances indicating possible impairment may include a significant decrease in market value or a significant change in the business climate. An impairment loss is computed by dividing net income (loss) by recognized when the weighted average number carrying amount of shares an asset exceeds the estimated undiscounted future cash flows expected to result from the use of common stock outstanding for the period. Accretion associated with asset and its eventual disposition. The amount of the redeemable shares impairment loss is the excess of common stock is excluded from earnings per share as the redemption value approximates asset's carrying amount over its fair value. For the year ended December 31, 2023 and 2022, management determined that there was no impairment with regard to our property, plant, and equipment.

#### Recent Recently Issued and Adopted Accounting Standards

Management does not believe A discussion of recent accounting pronouncements is included in Note 1, *Summary of significant accounting policies*, to the consolidated financial statements included elsewhere in this report.

#### JOBS Act Accounting Election

In April 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), was enacted. Section 107 of the JOBS Act provides that any other recently issued, but not yet effective, an "emerging growth company" may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards if currently adopted, until those standards would otherwise apply to private companies. We have irrevocably elected to avail ourselves of this extended transition period and, as a material effect result, we will not adopt new or revised accounting standards on our financial statements.

#### Factors That May Adversely Affect Our Results the relevant dates on which adoption of Operations

Our results such standards is required for other public companies. In addition, as an emerging growth company, we may take advantage of operations certain reduced disclosure and our ability other requirements that are otherwise applicable generally to complete public companies. DTI will take advantage of these exemptions until such earlier time that it is no longer an initial business combination may emerging growth company. DTI would cease to be adversely affected by various factors an emerging growth company on the date that could cause economic uncertainty and volatility in is the financial markets, many earliest of which are beyond our control. Our business could be impacted by, among other things,

downturns in (i) the financial markets or in economic conditions, increases in oil prices, inflation, increases in interest rates, supply chain disruptions, declines in consumer confidence and spending, the ongoing effects last day of the COVID-19 pandemic, including resurgences and fiscal year following the emergence fifth anniversary of new variants, and geopolitical instability, such as the military conflict date of the completion of the offering on December 6, 2021; (ii) the last day of the fiscal year in Ukraine. We cannot at this time fully predict the likelihood of one

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which its total annual gross revenue is equal to or more than \$1.07 billion (iii) the date on which it has issued more than \$1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which it is deemed to be a large accelerated filer under the rules of the above events, their duration or magnitude or the extent to which they may negatively impact our business Securities and our ability to complete initial business combination. Exchange Commission.

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#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

##### Quantitative and Qualitative Disclosures about Market Risk. Risk

###### **Credit risk**

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We are a smaller reporting company as defined maintain cash and cash equivalents with major and reputable financial institutions. Deposits held with these financial institutions may exceed the amount of insurance provided by Rule 12b-2 the Federal Deposit Insurance Corporation and Canadian Deposit Insurance Corporation on such deposits but may be redeemed upon demand. We perform periodic evaluations of the Exchange Act relative credit standing of these financial institutions. With respect to accounts receivable, we monitor the credit quality of our customers as well as maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments.

###### **Concentration risk**

During the years ended December 31, 2023, 39% of our total revenue was earned from three of our customers. During the years ended December 31, 2022, 28% of our total revenue was earned from two of our customers. Amounts due from these customers included in accounts receivable at December 31, 2023 and are not required to provide the information otherwise required under this Item. December 31, 2022 were approximately \$11.1 million and \$8.6 million, respectively.

#### **Foreign currency risk**

Our customers are primarily located in the United States and Canada. Therefore, foreign exchange risk exposures arise from transactions denominated in currencies other than the U.S. dollar, which is our functional and reporting currency. To date, a majority of our sales have been denominated in United States and Canadian dollars. As we expand our presence in international markets, our results of operations and cash flows may increasingly be subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements to minimize the impact of these fluctuations in the exchange rates. We will periodically reassess our approach to manage our risk relating to fluctuations in currency rates.

We do not believe that foreign currency risk had a material effect on our business, financial condition, or results of operations during the periods presented.

#### **Inflation Risk**

We expect we will continue to experience inflationary pressures on our cost structure for the foreseeable future. However, tightness in overseas freight and transit times from have eased. Nonetheless, we cannot be confident that transit times or input prices will return to the lower levels experienced in prior years. Continued inflation and looming concerns regarding a possible recession weigh on the outlook for oil demand which could in turn negatively impact demand for our goods and services.

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#### **Item 8. Financial Statements and Supplementary Data.**

Reference is made to pages F-1 through F-21 comprising a portion of this Report, which are incorporated herein by reference.

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Consolidated Balance Sheets as of December 31, 2023 and 2022

**Item 9.** Consolidated Statement of Income and Comprehensive Income for the Years Ended December 31, 2023 and 2022

Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Disagreements with Accountants on Accounting Shareholder's Equity for the Years Ended December 31, 2023, and Financial Disclosure.

None. 2022

Consolidated Statement of Cash Flows for the Years Ended December 31, 2023 and 2022

**Item 9A.** Controls and Procedures.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer (together, the "Certifying Officers"), or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Certifying Officers, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on the foregoing, our Certifying Officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

We do not expect that our disclosure controls and procedures will prevent all errors and all instances of fraud. Disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Further, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and the benefits must be considered relative to their costs. Because of the inherent limitations in all disclosure controls and procedures, no evaluation of disclosure controls and procedures can provide absolute assurance that we have detected all our control deficiencies and instances of fraud, if any. The design of disclosure controls and procedures also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

**Management's Annual Report on Internal Controls over Financial Reporting**

As required by SEC rules and regulations implementing Section 404 of the Sarbanes-Oxley Act, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting 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 the assets of our company,
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations 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 consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our financial statements. 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. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making these assessments, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on our assessments and those criteria, management determined that we maintained effective internal control over financial reporting as of December 31, 2022.

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This Report does not include an attestation report of our internal controls from our independent registered public accounting firm due to our status as an emerging growth company under the JOBS Act.

#### Changes in Internal Control over Consolidated Financial Reporting

There have been no changes to our internal control over financial reporting during the fiscal year ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Item 9B. Other Information.



None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

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**PART III**

**Item**

**10. Directors, Executive Officers and Corporate Governance.**

**Directors and Executive Officers**

As of the date of this Report, our directors and officers are as follows:

Name	Age	Position
Joseph Drysdale	42	Chairman of the Board
Daniel Jeffrey Kimes	40	Chief Executive Officer and Director
Rosemarie Cicalese	40	Chief Financial Officer
Brian Minnehan	50	Director
Alberto Pontonio	56	Director
Lee Canaan	66	Director
Win Graham	52	Director
Joseph Colonneta	60	Director

The experience of our directors and executive officers is as follows:

**Joe Drysdale**, our Chairman of the board since October 2021, is the co-founder and a Managing Partner of Fifth Partners, where he has overseen all real estate investment platforms since the firm was founded in 2015. Mr. Drysdale has over 15 years of investing and management experience, primarily in the real estate and energy sectors, as well as with early stage companies across diverse industries. He is an active member of various civic organizations in his community in Dallas, Texas. Mr. Drysdale received a B.A. from University of Texas. We believe that Mr. Drysdale is

qualified to serve on our board of directors due to his extensive management experience and extensive experience in the energy sector.

**Daniel Kimes**, our director and Chief Executive Officer since inception, is a Managing Director at Arch Energy Partners, where he has worked since April 2020 and is responsible for deal origination, underwriting, and risk mitigation. From January 2020 to March 2020, Mr. Kimes was an independent consultant. Prior to that, from September 2017 to December 2019, Mr. Kimes served as the co-founder, co-Chief Executive Officer and as a member of the board of directors of Shot Hollow Resources, LLC, a Carnelian Energy Capital portfolio company. Prior to Shot Hollow, from 2012 to 2017, Mr. Kimes served as the Chief Financial Officer, the interim Chief Executive Officer and as a member of the board of directors of Brigadier Oil & Gas, LLC, a private equity-sponsored exploration and production company. Mr. Kimes previously worked for NGP Energy Capital Management (“NGP”), a private equity firm focused on investing in the energy sector from July 2006 to July 2008 and started his career working for RBC Capital Markets in their energy investment banking group. Mr. Kimes graduated Magna Cum Laude, Honors in Liberal Arts and Honors in Business from Southern Methodist University and earned a MBA from Stanford University. Mr. Kimes was the co-founder of the Dallas Chapter of Young Professionals in Energy and serves on the UT Dallas Energy Advisory Council. We believe Mr. Kimes is qualified to serve as a member of our board of directors due to his extensive experience in the energy sector including investment banking and private equity work.

**Rosemarie Cicalese**, our Chief Financial Officer since inception, has more than 15 years of experience in finance, with a particular focus in the energy sector. She joined Arch Energy Partners in June 2021 to focus on developing ROC Energy Acquisition Corp. From 2004 through 2020, Ms. Cicalese worked at J.P. Morgan, most recently serving as an Executive Director in the Corporate Banking Energy Group in Houston, where she managed a reserve-based loan book, originated loans and other banking business, and led client relationships with public and private exploration and production companies. Prior to that, Ms. Cicalese worked in J.P. Morgan’s Commodities Group in its New York office, as an Executive Director on the Corporate Derivatives Marketing team, where she worked with oil and gas companies, executing energy risk management hedging strategies. Ms. Cicalese is actively involved with, and serves on the board of directors of, The Periwinkle Foundation, a non-profit organization that develops and provides camps, arts, and survivor programs for children with cancer and other life-threatening illnesses. Ms. Cicalese holds a Bachelor of Engineering in Engineering Management from Stevens Institute of Technology and is a CFA® charterholder.

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**Brian Minnehan**, one of our directors since December 2021, has over 25 years of experience in finance, including 17 years investing in the natural resources sector. Mr. Minnehan is the founder and has been serving as

Managing Partner at Acadia Resources LP, his family office focused on growth investments, since March 2020. Mr. Minnehan joined NGP in 2007 where he most recently served as a Partner until March 2020. During his tenure with NGP, Mr. Minnehan served as a member of the investment committee and was appointed the lead director for numerous portfolio companies. Prior to joining NGP, Mr. Minnehan served as a Director at Prudential Capital Group where he was responsible for sourcing, analyzing, structuring and monitoring private debt investments across all sectors of the energy industry from 2004 to 2007. His previous tenures include Rothschild in its investment banking group in New York and Arthur Andersen in its corporate restructuring services group in Dallas, Bangkok and Seoul. Mr. Minnehan holds an MBA from Harvard Business School. He also holds a BBA and an MPA in Accounting from The University of Texas at Austin where he was a Sommerfeld Scholar. He is a CFA charterholder and a Certified Public Accountant (nonpracticing). We believe Mr. Minnehan is qualified to serve as a member of our board of directors due to his extensive investment experience in the energy sector including banking, public board experience, and private equity work.

**Alberto Pontonio**, one of our directors since December 2021, joined Fifth Partners in 2021 as a member of the public markets group. Fifth Partners is a private equity group located in Dallas, Texas and an affiliate of our sponsor and certain of our directors. Mr. Pontonio has over 25 years of experience in the financial services industry in both the U.S. and European markets. Mr. Pontonio co-founded and served as a Director of Galileo Acquisition Corp (NYSE: GLEO.U), a blank-check company that consummated an initial business combination with Shapeways, Inc. in September, 2021. Mr. Pontonio also co-founded and currently serves as a Director for Americas Technology Acquisition Corp. (NYSE: ATA.U), a \$115 million SPAC focusing on targets operating in the TMT verticals. From 2019 to September 2021, he was with Raymond James as a financial advisor, based in Miami. Prior to this, from 2013 through 2018, he traded Equity Index futures with DP Trading. In 2009, he co-founded Censible, an automated investment platform that allows individual investors to align their investments with their personal interests and social values. Mr. Pontonio's previous tenures include Espirito Santo in their investment banking group, Bear Stearns in London as a Managing Director, and Merrill Lynch in New York and London, as a Director in the Institutional Equity department. Mr. Pontonio started his career in New York at Cowen & Co. He holds a B.A. in economics from the Catholic University in Milan, Italy. We believe Mr. Pontonio is qualified to serve as a member of our board of directors due to his extensive experience in the financial services industry and in both the US and European markets.

**Lee Canaan**, one of our directors since December 2021, is the founder and portfolio manager of Braeburn Capital Partners, a private investment management firm since 2003. Ms. Canaan has over 20 years of public and private board experience across diverse industries. She is currently serving on the board of directors of EQT Corporation (since July 2019), Aethon Energy (since June 2019), and PHX Minerals Inc. (since March 2014). She previously served on the board of directors of Philadelphia Energy Solutions, LLC, Rock Creek Pharmaceuticals, Inc., Equal Energy Ltd., Oakmont Acquisition Corp., and Noble International, Ltd. Ms. Canaan has served as an independent traditional and alternative energy industry consultant for various private, public and governmental entities since 2009, including the U.S. Department of Energy. She began her career as a geophysicist for Amoco, then moved into finance as an analyst and portfolio manager for ARCO corporate treasury, then as an investment analyst at AIM/INVESCO. Ms. Canaan holds a Bachelor of Science in Geological Sciences from University of Southern California, a Masters in Geophysics from The University of Texas at Austin, and an MBA in finance from The Wharton School. She is also a CFA® charterholder. We believe Ms. Canaan is qualified to serve as a member of our Board of Directors due to her extensive experience in the energy sector including investments and serving on public company boards.

**Win Graham**, one of our directors since December 2021, has managed The Allar Company with his brother Jack in Graham, Texas since 2005. His responsibilities include managing minerals assets in 24 states, negotiating contracts

and capital acquisitions. Prior to that Mr. Graham spent 10 years as an international crude oil trader working for Shell Trading and Vitol, where he traded physical cargos of crude oil from all over the world as well as domestic pipeline barrels, futures and options. For several years he was responsible for the futures, options and foreign barrels of crude that were traded in Shell's United States system. He also spent time trading in both London and Singapore. Mr. Graham began his career as an oil and gas audit specialist at PricewaterhouseCoopers (f/k/a Coopers & Lybrand). Mr. Graham holds a BBA in accounting from The University of Texas at Austin and is a Certified Public Accountant (non-practicing). Mr. Graham is active in his community and has served as Board President of the GISD School Board, Graham Industrial Association and the Young County Appraisal District. We believe Mr. Graham is qualified to serve as a member of our Board of Directors due to his extensive experience in the energy sector including banking, investments and private equity work.

**Joseph Colonna**, one of our directors since December 2021, has over 30 years of experience in the private equity industry as both an operator and investor, including substantial experience in identifying and acquiring a wide variety of businesses. Since 2011, he has been the Founding and General Partner of HBC Investments, which specializes in middle market private equity investments.

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Mr. Colonna was appointed by Texas Governor Rick Perry in 2012 and reappointed by Governor Greg Abbott to serve for eight years as a Trustee on the Teachers' Retirement System of Texas, a \$190 billion investment fund benefiting 1.7 million educators in the State of Texas, where he served as the Chairman of the Investment Committee for four years. Mr. Colonna has been a Director and Chairman on numerous private and public company boards including his current service on the boards of Aris Water Solutions (f/k/a Solaris Water Midstream), Getka Energy and Storage, and Thunderbird LNG. Prior to founding HBC Investments, Mr. Colonna was a Partner at Hicks, Muse, Tate & Furst, a nationally prominent private equity firm that specialized in leveraged acquisitions. Mr. Colonna is a Trustee of St. Michael's Episcopal Foundation. He earned a Bachelor of Science in Finance from the University of Houston. We believe Mr. Colonna is qualified to serve as a member of our board of directors due to his extensive experience in investments and private equity.

**Special Advisors**

**Mike Allen**, one of our special advisors since December 2021, is the founder and President of Providence Energy Ltd., an independent energy investment and management company that manages nearly 2,000,000 gross mineral acres and interests in over 10,000 producing wells throughout the United States. Providence Energy is also an active investor in renewable energy resources. Mr. Allen earned a BBA in Accounting from the University of Oklahoma and

began his career as a CPA with Ernst & Young (f/k/a Ernst & Ernst) followed by 11 years with Headington Oil Company, before founding Providence.

**Dan Hunt**, one of our special advisors since December 2021, has over 20 years of investment and management experience in sports and entertainment, real estate, media, and bio tech. Mr. Hunt has been President of Major League Soccer's FC Dallas since 2014, and has spent much of his career driving the future of soccer in America. Together with his late father and American sports icon Lamar Hunt, Mr. Hunt led the creation of the Toyota Stadium and Soccer Center, home to FC Dallas and one of the most elite soccer facilities in the United States. Mr. Hunt is a member of MLS' Board of Governors and serves on the league's Business Ventures Committee. He is also involved with additional ownership interests of Hunt Sports Group, including the NFL's Kansas City Chiefs. Mr. Hunt holds a BA from Southern Methodist University.

**Bill Hall**, one of our special advisors since December 2021, has over 40 years of experience in entrepreneur ownership, banking, oil & gas investing, business consulting, and private equity across diverse industries and with specific expertise in national brand franchising and financial services. Mr. Hall is the Chief Executive Officer and a Managing Partner of Align Capital, LLC, where he oversees the investment firm's operations, as well as focuses on portfolio oversight, investment origination, and underwriting. He has served on numerous private boards, including his current service on the boards of Oakwood Bancshares Inc., Oakwood Bank, Anson Bancshares, Inc., First National Bank of Anson, Seawolf Water Resources, LP, UMVP Index, ClearBlade, Inc (as an observer), Treats Investments, LLC, and WGH Properties, LLC. Mr. Hall started his career with Arthur Young & Company (now Ernst & Young). He is a Certified Public Accountant (non-practicing), earned a BBA in Accounting from University of Texas at Austin, and is a 2017 inductee of the Men's Athletics Longhorn Hall of Honor.

**Jeremy Gottlieb**, one of our special advisors since December 2021, is the co-founder and President of ComboCurve, Inc. (formerly known as Inside Petroleum), a software-as-a-service financial technology platform designed for energy companies, where he has co-led the development, sales, operations, and financing of the business as it grew to over 100 clients in just over 12 months post-launch. Prior to ComboCurve, he served as Finance Director at Deep Gulf Energy, a private equity-backed energy company, where he was involved in equity and debt financings before the company was sold to Kosmos Energy in 2018. He previously held positions at Ivory Capital and Ernst & Young. Mr. Gottlieb graduated with High Honors from the University of Texas at Austin with a BBA and MPA. He is a CFA® charterholder and a Certified Public Accountant, licensed in the State of Texas.

**Ruben Martin**, one of our special advisors since December 2021, currently serves as Chairman of the Board and Director of the general partner of Martin Midstream Partners, a publicly traded limited partnership with a diverse set of energy midstream operations focused primarily on the United States Gulf Coast region. Mr. Martin led the company as President, Chief Executive Officer, and a member of the board of directors from 2002 to 2020. Prior to that, he served as President of Martin Resource Management, where he held various other roles since 1974. He holds a BS in Industrial Management from the University of Arkansas.

Our special advisors (i) assist us in sourcing and negotiating with potential business combination targets, (ii) provide business insights when we assess potential business combination targets and (iii) upon our request, provide business insights as we work to create additional value in the businesses that we acquire. In this regard, our special advisors fulfill some of the same functions as members of our board of directors. However, our special advisors are not under any fiduciary obligations to us nor will they perform board or

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committee functions, nor do they have any voting or decision-making capacity on our behalf. Our special advisors are also not required to devote any specific amount of time to our efforts or be subject to the fiduciary requirements to which members of our board of directors are subject. Accordingly, if any of our special advisors becomes aware of a business combination opportunity which is suitable for any of the entities to which he has fiduciary or contractual obligations (including other blank check companies), such special advisor will honor his or her fiduciary or contractual obligations to present such business combination opportunity to such entity, and only present it to us if such entity rejects the opportunity. We may modify or expand our roster of special advisors as we source potential business combination targets or create value in businesses that we may acquire.

### **Number and Terms of Office of Officers and Directors**

Our board of directors currently has seven members, four of whom are deemed “independent” under SEC and Nasdaq rules. Our board of directors is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of Mr. Minnehan and Ms. Canaan and Mr. Colonna, will expire at our first annual meeting of stockholders. The term of office of the second class of directors, consisting of Mr. Graham and Mr. Drysdale, will expire at the second annual meeting. The term of office of the third class of directors, consisting of Mr. Kimes and Mr. Pontonio will expire at our third annual meeting of stockholders. We may not hold an annual meeting of stockholders until after we consummate our initial business combination.

Our officers are appointed by the board of directors and serve at the discretion of the board of directors, rather than for specific terms of office. Our board of directors is authorized to appoint persons to the offices set forth in our bylaws as it deems appropriate. Our bylaws provide that our directors may consist of a chairman of the board, and that our officer may consist of chief executive officer, president, chief financial officer, executive vice president(s), vice president(s), secretary, treasurer and such other officers as may be determined by the board of directors.

### **Committees of the Board of Directors**

#### **Audit Committee**

We have established an audit committee of the board of directors, which consists of Mr. Graham, Ms. Canaan, and Mr. Colonna. Under the Nasdaq listing standards and applicable SEC rules, we are required to have at least three members of the audit committee, all of whom must be independent. Each of Mr. Graham, Ms. Canaan, and Mr. Colonna meet the independent director standard under Nasdaq listing standards and under Rule 10-A-3(b)(1) of the Exchange Act. Joseph Colonna serves as the chairman of the audit committee.

Each member of the audit committee is financially literate and our board of directors has determined that each of Mr. Graham, Ms. Canaan, and Mr. Colonna qualifies as an “audit committee financial expert” as defined in applicable SEC rules.

The audit committee’s duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- the appointment, compensation, retention, replacement, and oversight of the work of the independent auditors and any other independent registered public accounting firm engaged by us;
- pre-approving all audit and permitted non-audit services to be provided by the independent auditors or any other registered public accounting firm engaged by us, and establishing pre-approval policies and procedures;
- reviewing and discussing with the independent auditors all relationships the auditors have with us in order to evaluate their continued independence;
- setting clear hiring policies for employees or former employees of the independent auditors;
- setting clear policies for audit partner rotation in compliance with applicable laws and regulations;

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- obtaining and reviewing a report, at least annually, from the independent auditors describing (i) the independent auditor’s internal quality-control procedures and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm and any steps taken to deal with such issues;
- reviewing and approving any related party transaction required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC prior to us entering into such transaction; and
- reviewing with management, the independent auditors, and our legal advisors, as appropriate, any legal, regulatory or compliance matters, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding our financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the FASB, the SEC or other regulatory authorities.

## **Compensation Committee**

We have established a compensation committee of the board of directors consisting of Mr. Graham, Ms. Canaan, and Mr. Colonna, each of whom is an independent director. Under Nasdaq listing standards and applicable SEC rules,

we are required to have at least two members of the compensation committee, all of whom must be independent. Mr. Graham serves as chairman of the compensation committee.

We have adopted a compensation committee charter, which details the principal functions of the compensation committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our Chief Executive Officers' compensation, evaluating our Chief Executive Officers' performance in light of such goals and objectives and determining and approving the remuneration (if any) of our Chief Executive Officers based on such evaluations;
- reviewing and approving on an annual basis the compensation of all of our other officers;
- reviewing on an annual basis our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for our officers and employees;
- if required, producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

The charter also provides that the compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the compensation committee will consider the independence of each such adviser, including the factors required by Nasdaq and the SEC.

#### ***Nominating and Corporate Governance Committee***

We have established a nominating and corporate governance committee. The members of our nominating and corporate governance are Mr. Graham, Ms. Canaan, and Mr. Colonna. Ms. Canaan serves as chair of the nominating and corporate governance committee.



The primary purposes of our nominating and corporate governance committee are to assist the board in:

- identifying, screening and reviewing individuals qualified to serve as directors and recommending to the board of directors candidates for nomination for election at the annual general meeting or to fill vacancies on the board of directors;
- developing and recommending to the board of directors and overseeing implementation of our corporate governance guidelines;
- coordinating and overseeing the annual self-evaluation of the board of directors, its committees, individual directors and management in the governance of the company; and
- reviewing on a regular basis our overall corporate governance and recommending improvements as and when necessary.

The nominating and corporate governance committee is governed by a charter that complies with the rules of Nasdaq, as applicable.

### Code of Ethics

We have adopted a Code of Ethics that applies to all of our executive officers, directors and employees. The Code of Ethics codifies the business and ethical principles that govern all aspects of our business. We have filed a copy of our Code of Ethics and our audit and compensation committee charters as exhibits to the IPO Registration Statement. You can review these documents by accessing our public filings at the SEC's web site at [www.sec.gov](http://www.sec.gov). In addition, a copy of the Code of Ethics will be provided without charge upon request from us. We intend to disclose any amendments to or waivers of certain provisions of our Code of Ethics in a Current Report on Form 8-K.

### Item

#### 11. Executive Compensation.

No executive officer has received any cash compensation for services rendered to us. We pay Fifth Partners an aggregate fee of \$13,000 per month for providing us with office space, utilities and secretarial services. Fifth Partners is also entitled to be reimbursed for any out-of-pocket expenses. Other than the \$13,000 per month administrative fee and the repayment of any loans made by our sponsor to us, no compensation of any kind, including finders, consulting or other similar fees, will be paid to any of our existing shareholders, including our directors, or any of their respective affiliates, prior to, or for any services they render in order to effectuate, the consummation of a business combination. However, such individuals will be reimbursed for any out-of-pocket expenses incurred in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. There is no limit on the amount of these out-of-pocket expenses and there will be no review of the reasonableness of the expenses by anyone other than our board of directors and audit committee, which includes persons who may seek reimbursement, or a court of competent jurisdiction if such reimbursement is challenged.

At the closing of our initial business combination, we may also pay consulting, success or finder fees to our sponsor, officers, directors, initial stockholders or their affiliates. We may pay such consulting, success or finder fees in the event that our initial stockholders, officers or directors provide us with specific target company, industry, financial or market expertise, as well as insights, relationships, services or resources in order to assess, negotiate and consummate an initial business combination. The amount of any such fee we pay will be based upon the prevailing market for similar

services for comparable transactions at such time, and will be subject to the review of our audit committee pursuant to the audit committee's policies and procedures relating to transactions that may present conflicts of interest. We would disclose any such fee in the proxy or tender offer materials used in connection with a proposed business combination.

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Other than as described herein, no compensation or fees of any kind, including finder's fees, consulting fees and other similar fees, has been or will be paid to our insiders or any of the members of our management team, for services rendered prior to or in connection with the consummation of our initial business combination (regardless of the type of transaction that it is). However, such individuals will receive reimbursement for any out-of-pocket expenses incurred by them in connection with activities on our behalf, such as identifying potential target businesses, performing business due diligence on suitable target businesses and business combinations as well as traveling to and from the offices, plants or similar locations of prospective target businesses to examine their operations. There is no limit on the amount of out-of-pocket expenses reimbursable by us; provided, however, that to the extent such expenses exceed the available proceeds not deposited in the trust account and the interest income earned on the amounts held in the trust account, such expenses would not be reimbursed by us unless we consummate an initial business combination.

After our initial business combination, members of our management team who remain with us may be paid consulting, management or other fees from the combined company with any and all amounts being fully disclosed to stockholders, to the extent then known, in the proxy solicitation materials furnished to our stockholders. It is unlikely the amount of such compensation will be known at the time of a stockholder meeting held to consider our initial business combination, as it will be up to the directors of the post-combination business to determine executive and director compensation. In this event, such compensation will be publicly disclosed at the time of its determination in a Current Report on Form 8-K, as required by the SEC.

**Item**

**12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth information regarding the beneficial ownership of our common stock as of March 20, 2023 based on information obtained from the persons named below, with respect to the beneficial ownership of common stock, by:

- each person known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- each of our executive officers and directors that beneficially owns our common stock; and

- all our executive officers and directors as a group.

In the table below, percentage ownership is based on 26,851,000 shares of our common stock, issued and outstanding as of March 20, 2023.

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Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them. The following table does not reflect record or beneficial ownership of the rights as these rights are not convertible within 60 days of the date of this Report.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	Approximate Percentage of Outstanding Common Stock
ROC Energy Holdings, LLC (2)	5,971,000	22.24 %
Joeseeph Drysdale	—	—
Daniel Jeffrey Kimes	—	—
Rosemarie Cicalese	—	—
Brian Minnehan	—	—
Alberto Pontonio	—	—
Lee Canaan	—	—
Win Graham	—	—
Joseph Colonna	—	—
All officer and directors as a group (8 individuals)	5,971,000	22.24 %
<b>Other 5% Stockholders</b>		
Saba Capital Management, L.P. (3)	1,240,197	5.80 %
Shaolin Capital Management LLC (4)	1,050,000	5.03 %
Lighthouse Investment Partners, LLC (5)	1,410,340	6.81 %

(1) Unless otherwise noted, the business address of each of the following entities or individuals is c/o ROC Energy Holdings, LLC, 16400 Dallas Parkway, Dallas, Texas 75248.

- (2) Our sponsor, ROC Energy Holdings, LLC, is the record holder of the shares reported herein. FP SPAC 2 is the general partner of our sponsor and has voting and dispositive power over the shares held by our sponsor. FP SPAC 2 is controlled by Joseph Drysdale, Jeff Brownlow and Matt Mathison, each of whom is a Managing Partner of Fifth Partners. Consequently, such persons may be deemed the beneficial owner of the shares held by our sponsor and have voting and dispositive control over such securities. Such persons disclaim beneficial ownership of any shares other than to the extent he may have a pecuniary interest therein, directly or indirectly. Each of our officers and directors and strategic advisors are members of our sponsor. Each of our directors, officers and advisors disclaims any beneficial ownership of any shares held by ROC Energy Holdings, LLC other than his or her pecuniary interest therein. According to Schedule 13D filed with the SEC on December 16, 2021, this amount includes (i) 5,175,000 shares of the Company's common stock, referred to as founder shares in the IPO Registration Statement and (ii) 796,000 private units.
- (3) According to a Schedule 13G/A filed on February 17, 2022, Saba Capital Management, L.P. acquired 1,240,197 shares of common stock. The business address for the reporting person is 405 Lexington Avenue, 58th Floor, New York, New York 10174.
- (4) According to a Schedule 13G filed with the SEC on February 14, 2023, Shaolin Capital Management LLC acquired 1,050,000 shares of common stock. The business address for the reporting person is 230 NW 24th Street, Suite 603, Miami, Florida 33127.
- (5) According to a Schedule 13G filed with the SEC on February 14, 2023, Lighthouse Investment Partners, LLC, MAAP 136 Segregated Portfolio, a segregated portfolio of LMA SPA, MAP 197 Segregated Portfolio, a segregated portfolio of LMA SPC, MAP 204 Segregated Portfolio, a segregated portfolio of LMA SPC, MAP 214 Segregated Portfolio, a segregated portfolio of LMA SPC, LHP Ireland Fund Management Limited, MAP 501, a sub-trust of LMA Ireland, LMAP 910, a sub-fund of LMAP Ireland ICAV, and Shaolin Capital Partners SP, a segregated portfolio of PC MAP SPC, acquired 1,410,340 shares of common stock. The business address for the reporting persons is 3801 PGA Boulevard, Suite 500, Palm Beach Gardens, Florida 33410.

#### Securities Authorized for Issuance under Equity Compensation Plans

None.

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#### Changes in Control

For more information on the Drilling Tools Business Combination, please see "Item 1. Business."

#### Item

#### 13. Certain Relationships and Related Transactions, and Director Independence.

On October 7, 2021, our sponsor purchased an aggregate of 4,312,500 shares of our common stock for an aggregate purchase price of \$25,000 in cash, or approximately \$0.006 per share. The number of founder shares issued was determined based on the expectation that such founder shares would represent 20% of the outstanding shares upon completion of our initial public offering (not including the private units and underlying securities and the representative founder shares and assuming they did not purchase units in our initial public offering). In December 2021, we effected a stock dividend of 0.2 shares for each share of common stock outstanding, resulting in sponsor holding 5,175,000 founder shares. As a result of the full exercise of the over-allotment option, no founder shares are subject to forfeiture.

Our sponsor purchased 715,000 private units at \$10.00 per private unit for a total purchase price of \$7,150,000 in a private placement that closed simultaneously with the closing of our initial public offering. In connection with the full exercise of the over-allotment option, on December 9, 2021, the sponsor purchased an additional 81,000 private units from us for an aggregate purchase price of \$810,000. The private units are identical to the units sold in our initial public offering. Additionally, our sponsor has agreed not to transfer, assign or sell any of the private units or underlying securities (except to the same permitted transferees as the founder shares and provided the transferees agree to the same terms and restrictions as the permitted transferees of the founder shares must agree to, each as described above) until after the completion of our initial business combination.

On September 2, 2021, our sponsor issued an unsecured promissory note to us, pursuant to which we could borrow up to an aggregate principal amount of \$300,000. The promissory note was non-interest bearing and payable on the earlier of September 30, 2022 or the consummation of the initial public offering. As of December 6, 2021, we had \$135,463 outstanding under the promissory note. There was no amount outstanding on the promissory note as of December 31, 2021.

On December 6, 2022, we issued the Extension Note in the principal amount of \$2,070,000 to FP SPAC 2 in connection with the extension of the Combination Period from December 6, 2022 to March 6, 2023. At the election of FP SPAC 2, the unpaid principal amount of the Extension Note may be converted into units of the Company, with the total number of units so issued to be equal to: (x) the portion of the principal amount of the Extension Note being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

On January 16, 2023, we issued a promissory note in the amount of up to \$800,000 to FP SPAC 2 for working capital. The note bears no interest and is due and payable upon the earlier to occur of (i) the date on which our initial business combination is consummated and (ii) the liquidation of the Company on or before the end of the Combination Period or such later liquidation date as may be approved by our stockholders. At the election of SP SPAC 2, the unpaid principal balance of the note may be converted into units of the Company, with the total number of conversion units so issued to be equal to: (x) the portion of the principal amount of the note being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

On March 2, 2023, we issued the Extension Note in the principal amount of \$2,070,000 to FP SPAC 2 in connection with the extension of the Combination Period from March 6, 2023 to June 6, 2023. At the election of FP SPAC 2, the unpaid principal amount of the Extension Note may be converted into units of the Company, with the total number of units so issued to be equal to: (x) the portion of the principal amount of the Extension Note being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

In order to meet our working capital needs following the consummation of our initial public offering, our insiders, officers and directors may, but are not obligated to, loan us funds, from time to time or at any time, in whatever amount

they deem reasonable in their sole discretion. Each loan would be evidenced by a promissory note. The notes would either be paid upon consummation of our initial business combination, without interest, or, at the lender's discretion, up to \$1,500,000 of the notes may be converted upon consummation of our business combination into additional private units at a price of \$10.00 per private unit. Our stockholders have approved the issuance of the private units upon conversion of such notes, to the extent the holder wishes to so convert such notes at the time of the consummation of our initial business combination. If we do not complete a business combination, any outstanding loans from our insiders or their affiliates, will be repaid only from amounts remaining outside our trust account, if any.

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Pursuant to a registration rights agreement entered into on December 1, 2021, the holders of the founder shares, representative shares, private units (including securities contained therein) and units (including securities contained therein) that may be issued upon conversion of working capital loans, and any shares of common stock (and underlying common stock) are entitled to registration rights. The holders of a majority of these securities are entitled to make up to two demands that the Company register such securities. Notwithstanding anything to the contrary, the underwriters may only make a demand on one occasion and only during the 5-year period beginning on the effective date of the registration statement of which the initial public offering forms a part. The holders of the majority of the founder shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these shares of common stock are to be released from escrow. The holders of a majority of the units or shares issued in payment of working capital loans made to us can elect to exercise these registration rights at any time after we consummate a business combination. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to the consummation of initial business combination' provided, however, that the underwriters may participate in a "piggy-back" registration only during the 7-year period beginning on the effective date of the IPO Registration Statement. We will bear the expenses incurred in connection with the filing of any such registration statement.

We pay Fifth Partners an aggregate of \$13,000 per month for these services. In addition, Fifth Partners is entitled to be reimbursed for any out-of-pocket expenses. Upon completion of our initial business combination or our liquidation, we will cease paying these monthly fees.

Other than the \$13,000 per month administrative fee, no compensation or fees of any kind, including finder's fees, consulting fees or other similar compensation, will be paid to any of our initial shareholders, officers or directors who owned our shares of our common stock prior to our initial public offering, or to any of their respective affiliates, prior to or with respect to the business combination (regardless of the type of transaction that it is). After our initial business combination, members of our management team who remain with us may be paid consulting, board, management or

other fees from the combined company with any and all amounts being fully disclosed to stockholders, to the extent then known, in the proxy solicitation materials furnished to our stockholders. It is unlikely the amount of such compensation will be known at the time of a stockholder meeting held to consider our initial business combination, as it will be up to the directors of the post-combination business to determine executive and director compensation. In this event, such compensation will be publicly disclosed at the time of its determination in a Current Report on Form 8-K, as required by the SEC.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates will be on terms believed by us to be no less favorable to us than are available from unaffiliated third parties. Such transactions will require prior approval by our audit committee and a majority of our uninterested independent directors, in either case who had access, at our expense, to our attorneys or independent legal counsel. We will not enter into any such transaction unless our audit committee and a majority of our disinterested independent directors determine that the terms of such transaction are no less favorable to us than those that would be available to us with respect to such a transaction from unaffiliated third parties.

For more information on the agreements entered into in connection with the Drilling Tools Business Combination, please see “Item 1. Business.”

### **Director Independence**

Nasdaq listing standards require that a majority of our board of directors be independent. An “independent director” is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which in the opinion of the company’s board of directors, would interfere with the director’s exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has determined that each of Mr. Minnehan, Ms. Canaan, Mr. Graham and Mr. Colonna is an “independent director” as defined in Nasdaq listing standards. Our independent directors have regularly scheduled meetings at which only independent directors are present. Our audit committee is entirely composed of independent directors meeting Nasdaq’s additional requirements applicable to members of the audit committee. We will only enter into a business combination if it is approved by a majority of our independent directors. Additionally, we will only enter into transactions with our officers and directors and their respective affiliates that are on terms no less favorable to us than could be obtained from independent parties. Any related-party transactions must also be approved by our audit committee and a majority of disinterested independent directors.

**Item****14. Principal Accountant Fees and Services.**

The following is a summary of fees paid or to be paid to Withum for services rendered.

**Audit Fees**

Audit fees consist of fees for professional services rendered for the audit of our year-end financial statements and services that are normally provided by Withum in connection with regulatory filings. The aggregate fees of Withum for professional services rendered for the audit of our annual financial statements, review of the financial information included in our Forms 10-Q for the respective periods and other required filings with the SEC for the year ended December 31, 2022 and for the period from September 2, 2021 (inception) through December 31, 2021 totaled approximately \$88,740 and \$82,210, respectively. The above amounts include interim procedures and audit fees, as well as attendance at audit committee meetings.

**Audit-Related Fees**

Audit-related fees consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. During the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021 we did not pay Withum any audit-related fees.

**Tax Fees**

We did not pay Withum for tax services, planning or advice for the year ended December 31, 2022 or the period from September 2, 2021 (inception) through December 31, 2021.

**All Other Fees**

We did not pay Withum for any other services for the year ended December 31, 2022 or the period from September 2, 2021 (inception) through December 31, 2021.

**Pre-Approval Policy**

Our audit committee was formed upon the consummation of our initial public offering. As a result, the audit committee did not pre-approve all of the foregoing services, although any services rendered prior to the formation of our audit committee were approved by our board of directors. Since the formation of our audit committee, and on a going-forward basis, the audit committee has and will pre-approve all auditing services and permitted non-audit services to be performed for us by our auditors, including the fees and terms thereof (subject to the de minimis exceptions for non-audit services described in the Exchange Act which are approved by the audit committee prior to the completion of the audit).



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**PART IV**

**Item**

**15. Exhibit and Financial Statement Schedules.**

(a) The following documents are filed as part of this Report:

(1) Financial Statements

	Page
<a href="#">Report of Independent Registered Public Accounting Firm</a> (PCAOB ID No. 100)	F-2
<a href="#">Balance Sheets as of December 31, 2022 and 2021</a>	F-3
<a href="#">Statements of Operations for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</a>	F-4
<a href="#">Statements of Changes in Stockholders' Equity (Deficit) for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</a>	F-5
<a href="#">Statement of Cash Flows for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</a>	F-6
<a href="#">Notes to Financial Statements</a>	F-7

(2) Financial Statement Schedules

All financial statement schedules are omitted because they are not applicable or the amounts are immaterial and not required, or the required information is presented in the financial statements and notes thereto beginning on page F-1 of this Report.

(3) Exhibits

We hereby file as part of this Report the exhibits listed in the attached Exhibit Index. Exhibits which are incorporated herein by reference can be inspected on the SEC website at [www.sec.gov](http://www.sec.gov).

**Item**

**16. Form 10-K Summary.**

Not applicable.

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**ROC ENERGY ACQUISITION CORP.**

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<b><u>Report of Independent Registered Public Accounting Firm</u></b> (PCAOB ID 100)	<b>F-2</b>
<b>Financial Statements:</b>	
<u>Balance Sheets as of December 31, 2022 and 2021</u>	<b>F-3</b>
<u>Statements of Operations for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</u>	<b>F-4</b>
<u>Statements of Changes in Stockholders' Equity (Deficit) for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</u>	<b>F-5</b>
<u>Statements of Cash Flows for the year ended December 31, 2022 and the period from September 2, 2021 (inception) through December 31, 2021</u>	<b>F-6</b>
<u>Notes to Financial Statements</u>	<b>F-7 to F-19</b>

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors and Shareholders of  
ROC Energy Acquisition Corp. Drilling Tools International Corporation

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ROC Energy Acquisition Corp. Drilling Tools International Corporation (the "Company") as of December 31, 2022, December 31, 2023 and 2021, 2022, and the related consolidated statements of operations, income and comprehensive income, changes in stockholders' redeemable convertible preferred stock and shareholders' equity (deficit) and cash flows for each of the year ended December 31, 2022 and for two years in the period from September 2, 2021 (inception) through December 31, 2021 ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the year ended December 31, 2022 and two years in the period from September 2, 2021 (inception) through December 31, 2021 ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

### Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, if the Company is unable to raise additional funds to alleviate liquidity needs and complete a business combination by June 6, 2023, then the Company will cease all operations except for the purpose of liquidating. The liquidity condition and date for mandatory liquidation and subsequent dissolution raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's entity's management. Our responsibility is to express an opinion on the Company's these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") ("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 audits 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 entity'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.

/s/ WithumSmith+Brown, PCWeaver and Tidwell, L.L.P.

Oklahoma City, Oklahoma

March 28, 2024

We have served as the Company's auditor since 2021 2022.

New York, New York

March 20, 2023

PCAOB ID Number 100

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## CONSOLIDATED BALANCE SHEETS

F-2

	December 31, 2023	December 31, 2022
<i>(In thousands, except share data)</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 6,003	\$ 2,352
Accounts receivable, net	29,929	28,998
Inventories, net	5,034	3,281
Prepaid expenses and other current assets	4,553	4,381
Investments - equity securities, at fair value	888	1,143
<b>Total current assets</b>	<b>46,408</b>	<b>40,155</b>
Property, plant and equipment, net	65,800	44,154
Operating lease right-of-use asset	18,786	20,037
Intangible assets, net	216	263
Deferred financing costs, net	409	226

Deposits and other long-term assets	879	383
<b>Total assets</b>	<b>\$ 132,498</b>	<b>\$ 105,218</b>
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,751	\$ 7,281
Accrued expenses and other current liabilities	10,579	7,299
Current portion of operating lease liabilities	3,958	3,311
Revolving line of credit	—	18,349
<b>Total current liabilities</b>	<b>22,288</b>	<b>36,240</b>
Operating lease liabilities, less current portion	14,893	16,691
Deferred tax liabilities, net	6,627	3,185
<b>Total liabilities</b>	<b>43,808</b>	<b>56,116</b>
<b>Commitments and contingencies (See Note 15)</b>		
<b>Redeemable convertible preferred stock</b>		
Series A redeemable convertible preferred stock*, par value \$0.01; nil shares and 30,000,000 shares authorized at December 31, 2023 and December 31, 2022, respectively; nil shares and 6,719,641 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
	—	17,878
<b>Shareholders' equity</b>		
Common stock*, par value \$0.0001; 500,000,000 shares and 65,000,000 shares authorized at December 31, 2023 and December 31, 2022, respectively; 29,768,568 shares and 11,951,137 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
	3	1
Preferred stock, par value \$0.0001; 10,000,000 and nil shares authorized at December 31, 2023 and December 31, 2022, respectively; nil shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively		
	—	—
Additional paid-in-capital	95,218	52,388
Accumulated deficit	(6,306)	(21,054)
Less treasury stock, at cost; nil shares at December 31, 2023 and December 31, 2022	—	—

Accumulated other comprehensive loss	(225)	(111)
<b>Total shareholders' equity</b>	<b>88,690</b>	<b>31,224</b>
<b>Total liabilities, redeemable convertible preferred stock and shareholders' equity</b>	<b>\$ 132,498</b>	<b>\$ 105,218</b>

Table \* Shares of Contents legacy redeemable convertible preferred stock and legacy common stock have been retroactively restated to give effect to the Merger.

**ROC ENERGY ACQUISITION CORP.**  
**BALANCE SHEETS**

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets		
Cash	\$ 207,915	\$ 1,361,137
Prepaid insurance	170,503	—
Prepaid income taxes	4,527	—
Total Current Assets	382,945	1,361,137
Cash and marketable securities held in Trust Account	213,475,172	209,086,874
<b>TOTAL ASSETS</b>	<b>\$213,858,117</b>	<b>\$210,448,011</b>
<b>LIABILITIES, COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION, AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 482,828	\$ 238,696
Accrued offering costs	—	11,300
Promissory note - related party	2,070,000	—
Deferred tax liability	91,572	—
<b>Total Liabilities</b>	<b>2,644,400</b>	<b>249,996</b>
<b>Commitments and contingencies</b>		
Common stock subject to possible redemption 20,700,000 shares at \$10.30 and \$10.10 per share redemption value at December 31, 2022 and 2021, respectively	213,183,552	209,070,000
<b>Stockholders' (Deficit) Equity</b>		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding	—	—

Common stock, \$0.0001 par value; 100,000,000 shares authorized; 6,151,000 shares issued and outstanding (excluding 20,700,000 shares subject to possible redemption) at December 31, 2022 and 2021	615	615
Additional paid-in capital	—	1,362,780
Accumulated deficit	(1,970,450)	(235,380)
<b>Total Stockholders' (Deficit) Equity</b>	<b>(1,969,835)</b>	<b>1,128,015</b>
<b>TOTAL LIABILITIES, COMMON STOCK SUBJECT TO POSSIBLE REDEMPTION, AND STOCKHOLDERS' (DEFICIT) EQUITY</b>	<b>\$213,858,117</b>	<b>\$210,448,011</b>

The accompanying notes are an integral part of these consolidated financial statements.

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### ROC ENERGY ACQUISITION CORP.

### CONSOLIDATED STATEMENTS OF OPERATIONS INCOME AND COMPREHENSIVE INCOME

	For the Year Ended December 31, 2022	For the period from September 2, 2021 (inception) through December 31, 2021
General and administrative expenses	\$ 1,281,902	\$ 252,254
<b>Loss from operations</b>	<b>(1,281,902)</b>	<b>(252,254)</b>
Other income:		

Interest earned on investments held in Trust Account	2,843,649	16,874
Income before provision for income taxes	1,561,747	(235,380)
Provision for income taxes	(546,045)	—
<b>Net income (loss)</b>	<b>\$ 1,015,702</b>	<b>\$ (235,380)</b>
Weighted average shares outstanding common stock	26,851,000	9,182,858
<b>Basic net income (loss) per common stock</b>	<b>\$ 0.04</b>	<b>\$ (0.03)</b>

	Year Ended December 31,	
	2023	2022
<i>(In thousands, except share and per share data)</i>		
<b>Revenue, net:</b>		
Tool rental	\$ 119,239	\$ 99,018
Product sale	32,795	30,538
<b>Total revenue, net</b>	<b>152,034</b>	<b>129,556</b>
<b>Operating costs and expenses:</b>		
Cost of tool rental revenue	30,960	27,581
Cost of product sale revenue	4,559	5,423
Selling, general, and administrative expense	68,264	51,566
Depreciation and amortization expense	20,352	19,709
<b>Total operating costs and expenses</b>	<b>124,135</b>	<b>104,279</b>
<b>Operating income</b>	<b>27,899</b>	<b>25,277</b>
<b>Other expense, net:</b>		
Interest expense, net	(1,103)	(477)
Gain on sale of property	101	127
Loss on asset disposal	(489)	—
Unrealized gain (loss) on equity securities	(255)	234
Other expense, net	(6,359)	(384)
<b>Total other expense, net</b>	<b>(8,105)</b>	<b>(500)</b>
Income before income tax expense	19,794	24,777
Income tax expense	(5,046)	(3,698)
<b>Net income</b>	<b>\$ 14,748</b>	<b>\$ 21,080</b>
Accumulated dividends on redeemable convertible preferred stock	314	1,189
Net income available to common shareholders	\$ 14,434	\$ 19,891
Basic earnings per share	\$ 0.67	\$ 1.66
Diluted earnings per share	\$ 0.59	\$ 1.07
Basic weighted-average common shares outstanding*	21,421,610	11,951,137
Diluted weighted-average common shares outstanding*	25,131,024	19,677,507
<b>Comprehensive income:</b>		



Net income	\$	14,748	\$	21,080
Foreign currency translation adjustment, net of tax		(114)		173
<b>Net comprehensive income</b>	<b>\$</b>	<b>14,634</b>	<b>\$</b>	<b>21,253</b>

\* Shares of legacy redeemable convertible preferred stock and legacy common stock have been retroactively restated to give effect to the Merger.

The accompanying notes are an integral part of these consolidated financial statements.

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ROC ENERGY ACQUISITION CORP.  
**CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' REDEEMABLE CONVERTIBLE PREFERRED STOCK AND  
SHAREHOLDERS' EQUITY (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022 AND  
FOR THE PERIOD FROM SEPTEMBER 2, 2021 (INCEPTION) THROUGH  
DECEMBER 31, 2021**

	Common Stock		Additional		Total	
			Paid-in	Accumulated	Stockholders'	
	Shares	Amount			Equity (Deficit)	
<b>Balance</b>	-					
<b>September 2, 2021</b>						
<b>(inception)</b>	—	\$ —	\$ —	\$ —	\$ —	—

Issuance of common stock to Sponsor	5,175,000	517	24,483	—	25,000
Issuance of Representative Shares	180,000	18	897	—	915
Sale of 796,000 Private Placement Units	796,000	80	7,959,920	—	7,960,000
Proceeds allocated to Public Rights	—	—	17,595,000	—	17,595,000
Accretion of Common stock subject to redemption	—	—	(24,217,520)	—	(24,217,520)
Net loss	—	—	—	(235,380)	(235,380)
<b>Balance - December 31, 2021</b>	<b>6,151,000</b>	<b>615</b>	<b>1,362,780</b>	<b>(235,380)</b>	<b>1,128,015</b>
Accretion of Common stock subject to redemption	—	—	(1,362,780)	(2,750,772)	(4,113,552)
Net income	—	—	—	1,015,702	1,015,702
<b>Balance - December 31, 2022</b>	<b>6,151,000</b>	<b>\$ 615</b>	<b>\$ —</b>	<b>\$(1,970,450)</b>	<b>\$ (1,969,835)</b>

Redeemable		
Convertible		
Preferred	Common	Treasury
Stock	Stock	Stock

<i>(In thousands, except share and per share data)</i>	Shar es	Amo unt	Shar es	Amou nt	Shar es	Amou nt	Additi onal Paid- In Capit al	Accu mulat ed Defici t	Accumu lated Other Compre hensive Loss	Total Shareh olders' Equity
<b>BALANCE,</b>	20,3		53,1							
<b>December 31,</b>	70,3	16,	75,0		(811		53,9	(42,		11,16
<b>2021</b>	77	\$ 689	28	\$ 532	,156 )	\$ (933)	\$ 79	\$ 134 )	\$ (284)	\$ 0
Retroactive	(13,		(41,							
application of	650,		223,		811,					
Merger	736 )	-	891 )	(531 )	156	933	(402 )	-	-	-
<b>Adjusted</b>										
<b>Balances,</b>	6,71		11,9							
<b>beginning of</b>	9,64	16,	51,1				53,5	(42,		11,16
<b>period*</b>	1	\$ 689	37	\$ 1	-	\$ -	\$ 77	\$ 134 )	\$ (284)	\$ 0
Accretion of										
redeemable										
convertible										
preferred										
stock to										
redemption		1,1					(1,1			(1,18
value	-	89	-	-	-	-	89 )		-	9 )
Foreign currency										
translation										
adjustment,										
net of tax	-	-	-	-	-	-	-	-	173	173
Net income								21,0		21,08
	-	-	-	-	-	-	-	80	-	0
<b>BALANCE,</b>	6,71		11,9							
<b>December 31,</b>	9,64	17,	51,1				52,3	(21,		31,22
<b>2022</b>	1	\$ 878	37	\$ 1	-	\$ -	\$ 88	\$ 054 )	\$ (111 )	\$ 4
Net exercise of										
stock options by										
DTIH stockholder			36,1							
(Note 2)	-	-	63	-	-	-	-	-	-	-

Accretion of	-	314	-	-	-	-	(314)	-	-	(314)
redeemable										
convertible										
preferred stock to										
redemption value										
prior to closing of										
the Merger										
Exchange of										
DTIH redeemable										
convertible										
preferred stock for	(6,7	(18	6,71							
DTIC Common	19,6	,19	9,64				7,19			
Stock (Note 2)	41 )	2 )	1	1	-	-	2	-	-	7,193
Issuance of DTIC										
Common Stock to										
former holders of										
DTIH redeemable										
convertible										
preferred stock in										
connection with										
Exchange			2,04							
Agreements (Note			2,18				10,8			10,80
2)	-	-	1	-	-	-	05	-	-	5
Merger, net of										
redemptions and			5,71							
transaction costs			1,72				(8,8			(8,83
(Note 2)	-	-	1	1	-	-	39 )	-	-	8 )
Issuance of DTIC										
Common Stock in										
connection with										
the										
consummation of										
the PIPE			2,97							
Financing (Note			0,29				30,0			30,00
2)	-	-	6	-	-	-	00	-	-	0
Stock-based			337,				3,98			
compensation	-	-	429	-	-	-	6	-	-	3,986
Foreign currency										
translation										
adjustment, net of										
tax	-	-	-	-	-	-	-	-	(114)	(114)

Net income	-	-	-	-	-	-	14,7	-	14,74
							48		8
<b>BALANCE,</b>									
<b>December 31,</b>									
<b>2023</b>	-	\$	-	68	\$	3	-	\$	-
							\$	18	\$
							\$	06	\$
							\$	(225)	\$
									0

\* Shares of legacy redeemable convertible preferred stock and legacy common stock have been retroactively restated to give effect to the Merger.

The accompanying notes are an integral part of these consolidated financial statements.

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ROC ENERGY ACQUISITION CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the	For the period from
	Year ended	September 2, 2021
	December 31,	(inception)
	2022	through
		December 31,
		2021
Cash flows from operating activities:		
Net income (loss)	\$ 1,015,702	\$ (235,380)

Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Income from investments held in Trust Account	(2,843,649)	(16,874)
Changes in operating assets and liabilities:		
Prepaid expenses	(170,503)	—
Prepaid income taxes	(4,527)	—
Accounts payable and accrued expenses	244,132	239,254
Deferred tax liability	91,572	—
<b>Net cash used in operating activities</b>	<b>(1,667,273)</b>	<b>(13,000)</b>
<b>Cash Flows from Investing Activities:</b>		
Investment of cash in Trust Account	(2,070,000)	(209,070,000)
Cash withdrawn from Trust Account to pay franchise and income taxes	525,351	—
<b>Net cash used in investing activities</b>	<b>(1,544,649)</b>	<b>(209,070,000)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of representative shares	—	15
Proceeds from sale of Units, net of underwriting discounts paid	—	202,860,000
Proceeds from sale of Private Placement Units	—	7,960,000
Proceeds from promissory note – related party	2,070,000	250
Repayment of promissory note – related party	—	(135,463)
Payment of offering costs	(11,300)	(240,665)
<b>Net cash provided by financing activities</b>	<b>2,058,700</b>	<b>210,444,137</b>
<b>Net change in cash</b>	<b>(1,153,222)</b>	<b>1,361,137</b>

Cash, beginning of the period	1,361,137	—
<b>Cash, end of the period</b>	<b>\$ 207,915</b>	<b>\$ 1,361,137</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for income taxes	\$ 459,000	\$ —
<b>Non-Cash financing activities:</b>		
Offering costs included in accrued offering costs	\$ —	\$ 11,300
Offering costs paid by Sponsor in exchange for issuance of founder shares	\$ —	\$ 25,000
Issuance of Representative Shares	\$ —	\$ 900
Offering costs paid through promissory note	\$ —	\$ 134,655

(In thousands)	Year Ended December 31,	
	2023	2022
<b>Cash flows from operating activities:</b>		
Net income	\$ 14,748	\$ 21,080
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	20,352	19,709
Amortization of deferred financing costs	139	94
Amortization of debt discount	—	58
Non-cash lease expense	4,515	4,139
Provision for excess and obsolete inventory	75	45
Provision for excess and obsolete property and equipment	122	510
Loss on asset disposal	489	—
Bad debt expense	117	307
Deferred tax expense	3,443	1,080
Gain on sale of property	(101)	(127)
Unrealized (gain) loss on equity securities	255	(234)
Unrealized (gain) loss on interest rate swap	—	(1,423)
Realized loss on interest rate swap	4	—
Gross profit from sale of lost-in-hole equipment	(16,686)	(16,813)
Stock-based compensation expense	3,986	—

Changes in operating assets and liabilities:		
Accounts receivable, net	(1,048 )	(9,268 )
Prepaid expenses and other current assets	519	(3,476 )
Inventories, net	(1,716 )	(906 )
Deposits and other long-term assets	(496 )	17
Operating lease liabilities	(4,415 )	(4,174 )
Accounts payable	(1,552 )	(1,432 )
Accrued expenses and other current liabilities	583	4,808
<b>Net cash from operating activities</b>	<b>23,334</b>	<b>13,994</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property and equipment	202	1,042
Purchase of property, plant and equipment	(43,750 )	(24,688 )
Proceeds from sale of lost-in-hole equipment	19,684	21,116
<b>Net cash from investing activities</b>	<b>(23,864 )</b>	<b>(2,530 )</b>
<b>Cash flows from financing activities:</b>		
Proceeds from Merger and PIPE Financing, net of transaction costs	23,162	—
Payment of deferred financing costs	(324 )	(251 )
Proceeds from revolving line of credit	73,050	108,594
Payments on revolving line of credit	(91,399 )	(116,670 )
Payments on long-term debt	—	(1,000 )
Payments on finance leases	—	(10 )
Payments to holders of DTIH redeemable convertible preferred stock in connection with retiring their DTI stock upon the Merger	(194 )	—
<b>Net cash from financing activities</b>	<b>4,295</b>	<b>(9,337 )</b>
<b>Effect of Changes in Foreign Exchange Rate</b>	<b>(114 )</b>	<b>173</b>
<b>Net Change in Cash</b>	<b>3,651</b>	<b>2,300</b>
<b>Cash at Beginning of Period</b>	<b>2,352</b>	<b>52</b>
<b>Cash at End of Period</b>	<b>\$ 6,003</b>	<b>\$ 2,352</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 1,174	\$ 340
Cash paid for income taxes	\$ 3,006	\$ 723
<b>Non-cash investing and financing activities:</b>		
ROU assets obtained in exchange for lease liabilities	\$ 3,264	\$ 7,907



Purchases of inventory included in accounts payable and accrued expenses and other	\$ 601	\$ 79
current liabilities		
Purchases of property and equipment included in accounts payable and accrued expenses and other		
current liabilities	\$ 1,422	\$ 372
Non-cash directors and officers insurance	\$ 695	\$ —
Non-cash Merger financing	\$ 2,000	\$ —
Exchange of DTIH redeemable convertible preferred stock for DTIC Common Stock in connection with Merger	\$ 7,193	\$ —
Issuance of DTIC Common Stock to former holders of DTIH redeemable convertible preferred stock in connection with Exchange Agreements	\$ 10,805	\$ —
Accretion of redeemable convertible preferred stock to redemption value	\$ 314	\$ 1,189

The accompanying notes are an integral part of these consolidated financial statements.

F-6 NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Structure

[Table of Contents](#) [Drilling Tools International Corporation, a Delaware corporation \("DTIC" or the "Company"\), manufactures, rents, inspects, and refurbishes downhole drilling tools primarily to companies in the oil and natural gas industry for bottom hole assemblies used in onshore and offshore horizontal and directional drilling.](#)

## NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

On June 20, 2023 (the "Closing Date"), a merger transaction between Drilling Tools International Holdings, Inc. ("DTIH"), ROC Energy Acquisition Corp. ("ROC"), and ROC Merger Sub, Inc., a directly, wholly owned subsidiary of ROC ("Merger Sub"), was completed (the "Company" "Merger", see Note 3, Merger) is a newly incorporated blank check company incorporated as a Delaware corporation on September 2, 2021. The Company was incorporated for the purpose of entering into a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more target businesses (the "Business Combination").

As of December 31, 2022, the Company had not commenced any operations. All activity for the period from September 2, 2021 (inception) through December 31, 2022 relates pursuant to the Company's formation and the initial public offering ("Initial Public Offering"), which is described below, merger agreement dated February 13, 2023 and subsequent amendment to the Initial Public Offering, identifying a target company for a Business Combination. The Company will not generate any operating revenues until after the completion of its initial Business Combination, at the earliest. The Company generates non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering. The Company has selected December 31 as its fiscal year end.

The registration statements for the Company's Initial Public Offering were declared effective on December 1, 2021 merger agreement dated June 5, 2023 collectively, (the "Merger Agreement"). On December 6, 2021, the Company consummated the Initial Public Offering of 18,000,000 units (the "Units" and, with respect to the shares of common stock included in the Units sold, the "Public Shares"), at \$10.00 per Unit, generating gross proceeds of \$180,000,000, which is described in Note 3. An additional \$1,800,000 was funded by proceeds of the sale of Private Placement Units (as defined below) to ROC Energy Holdings, LLC which resulted in a total balance in the Trust Account of \$181,800,000.

Simultaneously In connection with the closing of the Initial Public Offering, Merger, ROC changed its name to Drilling Tools International Corporation. The common stock of DTIC ("DTIC Common Stock" or the Company consummated "Company's Common Stock") commenced trading on the sale of 715,000 Units (each, a "Private Placement Unit" Nasdaq Stock Market LLC ("Nasdaq") at a price of \$10.00 per Private Placement Unit under the symbol "DTI" on June 21, 2023. See Note 3, Merger for further discussion.

The Company's United States ("U.S.") operations have locations in a private placement to ROC Energy Holdings, LLC, a Delaware limited liability company (the "Sponsor"), generating gross proceeds of \$7,150,000, which is described Texas, California, Louisiana, Oklahoma, Pennsylvania, North Dakota, New Mexico, Utah, and Wyoming. The Company's international operations are located in Note 4.

On December 9, 2021, the underwriters fully exercised their over-allotment option, resulting Canada with additional stocking points in an additional 2,700,000 Units issued for an aggregate amount of \$27,000,000. In connection with the underwriters' full exercise of their over-allotment option, the Company also consummated the sale of an additional 81,000 Private Placement Units at \$10.00 per Private Placement Unit, generating total proceeds of \$27,810,000. A total of \$27,270,000 was deposited into the Trust Account, bringing the aggregate proceeds held in the Trust Account to \$209,070,000.

Transaction costs amounted to \$4,012,520, consisting of \$3,600,000 of underwriting fees and \$412,520 of other offering costs. In addition, cash of \$1,509,600 was held outside of the Trust Account and is available for the payment of offering costs and for working capital purposes. On December 9, 2021, due to the full exercise of the overallotment option by the underwriters, additional transaction costs amounted to \$540,000, consisting of cash underwriting fees. A total of \$27,270,000 was deposited into the Trust Account, bringing the aggregate proceeds held in the Trust Account to \$209,070,000.

Following the closing of the Initial Public Offering on December 6, 2021, Europe and the over-allotment Middle East. Operations outside the U.S. are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws

and possible limitations on December 9, 2021, an amount of \$209,070,000 (\$10.10 per Unit) from the net proceeds of the sale of the Units in the Initial Public Offering and the sale of the Private Placement Units was placed in a trust account (the "Trust Account"), and was invested in U.S. government securities, within the meaning set forth in Section 2(a)(16) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), with a maturity of 185 days or less, or in money market funds meeting certain conditions under Rule 2a-7 of the Investment Company Act, as determined by the Company, until the earlier of (i) the consummation of a Business Combination or (ii) the distribution of the funds in the Trust Account to the Company's stockholders, as described below.

foreign investment. The Company's management has broad discretion with respect to the specific application of the net proceeds of the Initial Public Offering and the sale of Private Placement Units, although substantially all of the net proceeds are intended to be applied generally toward consummating a Business Combination. There is no assurance that the Company will be able to complete a Business Combination successfully. The Company must complete one or more initial Business Combinations with one or more operating businesses or assets with a fair market value equal to at least 80% of the net assets held in the Trust Account (as defined below) (excluding taxes payable on the interest earned on the Trust Account). The Company will only complete a Business Combination if the post-transaction company owns or acquires 50% or more of the outstanding voting securities of the target or otherwise acquires a controlling interest in the target business sufficient for it not to be required to register as an investment company under the Investment Company Act.

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The Company will provide the holders of the outstanding Public Shares (the “Public Stockholders”) with the opportunity to redeem all or a portion of their Public Shares upon the completion of a Business Combination either (i) in connection with a stockholder meeting called to approve the Business Combination or (ii) by means of a tender offer. The decision as to whether the Company will seek stockholder approval of a Business Combination or conduct a tender offer will be made by the Company. The Public Stockholders will be entitled to redeem their Public Shares for a pro rata portion of the amount then in the Trust Account (initially anticipated to be \$10.10 per Public Share, plus any pro rata interest then in the Trust Account, net of taxes payable).

The Company will only proceed with a Business Combination if the Company has net tangible assets of at least \$5,000,001 either immediately prior to or upon consummation of the Business Combination and after payment of underwriters’ fees and commissions and, if the Company seeks stockholder approval, a majority of the shares voted are voted in favor of the Business Combination. If a stockholder vote is not required by applicable law or stock exchange listing requirements and the Company does not decide to engage in hedging activities to hold a stockholder vote for business or other reasons, the Company will, pursuant to its Amended and Restated Certificate of Incorporation, mitigate its exposure to fluctuations in foreign currency exchange rates.

**Basis of Incorporation (the “Certificate of Incorporation”),** conduct the redemptions pursuant to the tender offer rules of the U.S. Securities and Exchange Commission (“SEC”) and file tender offer documents with the SEC prior to completing a Business Combination. If, however, stockholder approval of the transaction is required by applicable law or stock exchange listing requirements, or the Company decides to obtain stockholder approval for business or other reasons, the Company will offer to redeem shares in conjunction with a proxy solicitation pursuant to the proxy rules and not pursuant to the tender offer rules. If the Company seeks stockholder approval in connection with a Business Combination, the Sponsor has agreed to vote its Founder Shares (as defined in Note 5), Private Shares (as defined in Note 4) and any Public Shares purchased during or after the Initial Public Offering in favor

of approving a Business Combination. Additionally, each Public Stockholder may elect to redeem their Public Shares without voting, and if they do vote, irrespective of whether they vote for or against the proposed transaction. **Presentation**

If the Company seeks stockholder approval of a Business Combination and it does not conduct redemptions pursuant to the tender offer rules, the Certificate of Incorporation will provide that a Public Stockholder, together with any affiliate of such stockholder or any other person with whom such stockholder is acting in concert or as a "group" (as defined under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), will be restricted from redeeming its shares with respect to more than an aggregate of 20% of the Public Shares, without the prior consent of the Company.

The Sponsor has agreed (a) to waive its redemption rights with respect to the Founder Shares, Private Shares and Public Shares held by it in connection with the completion of a Business Combination and (b) not to propose an amendment to the Certificate of Incorporation (i) to modify the substance or timing of the Company's obligation to allow redemptions in connection with a Business Combination or to redeem 100% of its Public Shares if the Company does not complete a Business Combination within the Combination Period (as defined below) or (ii) with respect to any other provision relating to stockholders' rights or pre-Business Combination activity, unless the Company provides the Public Stockholders with the opportunity to redeem their Public Shares in conjunction with any such amendment.

The Company will accompany consolidated financial statements have until December 6, 2022, 12 months from the closing of the Initial Public Offering to complete a Business Combination (or until June 6, 2023, 18 months from the closing of the Initial Public Offering if the Company extends the period of time to consummate a Business Combination in full) (the "Combination Period"). If the Company has not completed a Business Combination within the Combination Period, the Company will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem the Public Shares, at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest (net of permitted withdrawals and less up to \$100,000 of interest

to pay dissolution expenses), divided **been prepared** by the number of then outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidating distributions, if any), and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the Company's remaining stockholders and the Company's board of directors, dissolve and liquidate, subject in each case to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law.

If the Company anticipates that it may not be able to consummate the Business Combination by December 6, 2022, the Company may, by resolution of its board if requested by the Sponsor, extend the period of time to consummate a Business Combination up to two times, each by an additional three months (for a total of up to 18 months or until June 6, 2023, to complete a Business Combination), subject to the Sponsor depositing additional funds into the Trust Account. Pursuant to the terms of the Certificate of Incorporation and the trust agreement entered into between the Company and Continental Stock Transfer & Trust Company, in order for the time available for the Company to consummate the Business Combination to be extended, the Sponsor or its affiliates or designees, upon five days advance

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notice prior to the applicable deadline, deposit \$2,070,000 (\$0.10 per unit), on or prior to the date of the applicable deadline, for each of the available three month extensions providing a total possible Business Combination period of 18 months at a total payment value of \$4,140,000 (\$0.20 per unit). Any such payments would be made in the form of non-interest bearing loans. If the Company completes the Business Combination, the Company, at the option of the Sponsor, repay such loaned

amounts out of the proceeds of the Trust Account released to the Company or convert a portion or all of the total loan amount into Units at a price of \$10.00 per Unit, which Units will be identical to the Private Placement Units. If the Company does not complete a Business Combination, the Company will repay such loans only from funds held outside of the Trust Account. The stockholders will not be entitled to vote or redeem their shares in connection with any such extension.

On December 2, 2022, the Company extended the date by which the Company has to consummate a business combination from December 6, 2022 to March 6, 2023 (the "Extension"). The Extension is the first of two three-month extensions permitted under the Company's governing documents. On December 6, 2022, the Company issued a promissory note, as described in Note 5, in the principal amount of \$2,070,000 (the "Extension Payment") to an affiliate of the Company's Sponsor in connection with the Extension.

On March 3, 2023, the Company extended the date by which the Company has to consummate a business combination from March 6, 2023 to June 6, 2023 (the "Second Extension"). The Second Extension is the second of two three-month extensions permitted under the Company's governing documents. On March 2, 2023, the Company issued a promissory note in the principal amount of \$2,070,000 to an affiliate of the Company's Sponsor in connection with the Second Extension.

The Sponsor has agreed to waive its liquidation rights with respect to the Founder Shares and Private Shares if the Company fails to complete a Business Combination within the Combination Period. However, if the Sponsor acquires Public Shares in or after the Initial Public Offering, such Public Shares will be entitled to liquidating distributions from the Trust Account if the Company fails to complete a Business Combination within the Combination Period. In the event of such distribution, it is possible that the per share value of the assets remaining available for distribution will be less than the Initial Public Offering price per Unit (\$10.00).

In order to protect the amounts held in the Trust Account, the Sponsor has agreed to be liable to the Company if and to the extent any claims by a third party (other than the Company's independent registered public accounting firm) for services



rendered or products sold to the Company, or a prospective target business with which the Company has discussed entering into a transaction agreement, reduce the amount of funds in the Trust Account to below the lesser of (i) \$10.10 per Public Share and (ii) such lesser amount per Public Share held in the Trust Account as of the date of the liquidation of the Trust Account due to reductions in the value of trust assets, in each case net of the amount of interest which may be withdrawn to pay taxes. This liability will not apply with respect to any claims by a third party who executed a waiver of any and all rights to seek access to the Trust Account nor will it apply to any claims under the Company's indemnity of the underwriters of the Initial Public Offering against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Moreover, in the event that an executed waiver is deemed to be unenforceable against a third party, the Sponsor will not be responsible to the extent of any liability for such third-party claims. The Company will seek to reduce the possibility that the Sponsor will have to indemnify the Trust Account due to claims of creditors by endeavoring to have all vendors, service providers (except for the Company's independent registered accounting firm), prospective target businesses and other entities with which the Company does business, execute agreements with the Company waiving any right, title, interest or claim of any kind in or to monies held in the Trust Account.

### ***Going Concern***

In connection with the Company's assessment of going concern considerations in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") Subtopic 205-40, "Presentation of Financial Statements – Going Concern," the Company has until June 6, 2023, to consummate an initial Business Combination. It is uncertain that the Company will be able to consummate an initial Business Combination by this time. If an initial Business Combination is not consummated by this date, there will be a mandatory liquidation and subsequent dissolution of the Company. Additionally, the Company may not have sufficient liquidity to fund the working capital needs of the Company through one year from the issuance of these financial statements. Management has determined that the liquidity condition and mandatory liquidation, should an initial Business Combination not occur, and potential

subsequent dissolution raises substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying amounts of assets or liabilities should the Company be required to liquidate after June 6, 2023.

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### **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Presentation***

The accompanying financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as set forth by the Financial Accounting Standards Board ("FASB") and pursuant to the accounting and disclosure rules and regulations of the United States Securities and Exchange Commission (the "SEC" ("SEC")). References to US GAAP issued by the FASB in these notes to the accompanying consolidated financial statements are to the FASB Accounting Standards Codifications ("ASC") and Accounting Standards Update ("ASU").

#### **COVID-19 Related Credits and Relief**

As a response to the COVID-19 outbreak, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and provided an Employee Retention Credit ("ERC") which is a refundable tax credit against certain employment taxes equal to 50% of qualified wages paid, up to \$10 thousand per employee annually for wages paid. Additional relief provisions were passed by the United States government, which extended and expanded the qualified wage caps on these credits to 70% of qualified wages paid, up to \$10 thousand per

employee per quarter, through December 31, 2021. In November 2021, the Infrastructure Investment and Jobs Act was signed into law and ended the employee retention credit early, making wages paid after December 31, 2021, ineligible for the credit.

ERC benefits of nil and \$4.3 million were included in selling, general, and administrative expense as an offset to the related compensation expenses in the consolidated statements of income and comprehensive income for the year ended December 31, 2023 and 2022, respectively. ERC benefits receivable of nil and \$2.1 million were included in prepaid expenses and other current assets in the accompanying consolidated balance sheet as of December 31, 2023, and 2022, respectively. The Company received all ERC benefits receivables in January 2023, resulting in the ERC benefits receivable balance to be nil as December 31, 2023.

Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretations. Claims made under these programs may also be subject to retroactive audit and review. While the Company does not believe there is a basis for estimation of an audit or recapture risk at this time, there can be no assurance that regulatory authorities will not challenge the Company's claim to the ERC in a future period.

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### Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) 102(b)(1) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the

independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act) Act of 1934, as amended) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time the Company is no longer considered to be an emerging growth company. At times, the Company may elect to early adopt a new or revised standard. This may make comparison of As such, the Company's financial statements may not be comparable to companies that comply with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used. effective dates.

### Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities at in the Company's consolidated financial statements and accompanying notes as of the date of the consolidated financial

statements. These estimates and assumptions are based on current facts, historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially and adversely from these estimates. In the current macroeconomic and business environment affected by the Russia-Ukraine and Israel-Hamas conflicts and inflationary pressures, these estimates require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, these estimates may change materially in future periods.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated on consolidation.

### Foreign Currency Translations and Transactions

The Company has determined that the reported amounts functional and reporting currency for its operations across the globe is the functional currency of revenues the Company's international subsidiaries. Accordingly, all foreign balance sheet accounts have been translated into United States dollars using the rate of exchange at the respective balance sheet date. Components of the consolidated statements of income and expenses during comprehensive income have been translated at the average rates for the year of the reporting period. Translation gains and losses are recorded in accumulated other comprehensive loss as a component of stockholders' equity. Gains or losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in the consolidated statements of income and comprehensive income. For the year ended December 31, 2023, the aggregate foreign currency exchange rate fluctuations on transactions included in the consolidated statements of income and comprehensive income totaled approximately \$0.1 million in losses. For the year ended December 31, 2022, the aggregate foreign currency exchange rate fluctuations on transactions

included in the consolidated statements of income and comprehensive income totaled \$0.2 million in gains, respectively.

### Concentration of Credit Risk

**Making estimates requires management** The Company's customer concentration may impact its overall credit risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions affecting the oil and gas industry.

For the year ended December 31, 2023, the Company generated approximately 39% of its revenue from three customers. For the year ended December 31, 2022, the Company generated approximately 28% of its revenue from two customers. Amounts due from these customers included in accounts receivable at December 31, 2023 and 2022, were approximately \$11.1 million and \$8.6 million, respectively.

For the year ended December 31, 2023, the Company had two vendors that represented approximately 23% of its vendor purchases. For the year ended December 31, 2022, the Company had one vendor that represented approximately 12% of its vendor purchases. Amounts due to **exercise** these vendors included in accounts payable at December 31, 2023 and 2022 were approximately \$0.3 million and \$0.9 million, respectively.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company maintains accounts in federally insured financial institutions in excess of federally insured limits. Management believes the Company is not exposed to significant **judgment. It is at least reasonably possible** credit risk due to the financial position of the depository institutions in which these deposits are

held and of the money market funds in which these investments are made.

### **Revenue Recognition**

The Company recognizes revenue in accordance with Topic 842 (which addresses lease accounting) and Topic 606 (which addresses revenue from contracts with customers). The Company derives its revenue from two revenue types, tool rental services and product sales.

#### **Tool Rental Services**

Tool rental services consist of rental services, inspection services, and repair services. Tool rental services are accounted for under Topic 842.

Owned tool rentals represent the most significant revenue type and are governed by the Company's standard rental contract. The Company accounts for such rentals as operating leases. The lease terms are included in the contracts, and the determination of whether the Company's contracts contain leases generally does not require significant assumptions or judgments. Owned tool rentals represent revenue from renting tools that the estimate Company owns. The Company does not generally provide an option for the lessee to purchase the rented equipment at the end of the effect lease.

The Company recognizes revenues from renting tools on a straight-line basis. The Company's rental contract periods are daily, monthly, or per well. As part of this straight-line methodology, when the equipment is returned, the Company recognizes as incremental revenue the excess, if any, between the amount the customer is contractually required to pay, which is based on the rental contract period applicable to the actual number of days the drilling tool was out on rent, over the cumulative amount of revenue recognized to date. In any given accounting period, the Company will have customers return the drilling tool and be contractually required to pay the Company more than the cumulative amount of revenue recognized to date under the straight-line methodology. Additionally, the Company has rental contracts that are based on usage, either on a condition, situation per footage or set per well basis. As these types of circumstances rental contracts primarily consist of variable lease payments, which are unknown at commencement,

revenue is recognized when the changes in the factor on which the contingent lease payments are based occur. When the customer returns the rental equipment and the footage or usage becomes known, the Company recognizes revenue.

The Company records the amounts billed to customers in excess of recognizable revenue as deferred revenue on its consolidated balance sheet.

As noted above, the Company is unsure of when the customer will return rented drilling tools. As such, the Company cannot provide a maturity analysis of future lease payments as it is unknown when the tool will be returned and what the customer will owe upon return of the tool. The Company's drilling tools are generally rented for short periods of time (significantly less than a year). Lessees do not provide residual value guarantees on rented equipment.

The Company expects to derive significant future benefits from its drilling tools following the end of the rental term. The Company's rentals are generally short-term in nature, and its tools are typically rented for the majority of the time that existed the Company owns them.

#### Product Sales

Product sales consist of charges for rented tools that are damaged beyond repair, charges for lost-in-hole, and charges for lost-in-transit while in the care, custody or control of the Company's customers, and other charges for made to order product sales. Product sales are accounted for under Topic 606.

Revenue is recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the entity expects to be entitled in



exchange for those goods or services. To determine revenue recognition for its arrangements with customers, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in the revenue standard. The transaction price is measured as consideration specified in a contract with a customer and excludes any sales incentives and taxes or other amounts collected on behalf of third parties. As each of the Company's contracts with customers contain a single performance obligation to provide a product sale, the Company does not have any performance obligations requiring allocation of transaction prices.

The performance obligation for made to order product sales is satisfied and revenue is recognized at a point in time when control of the asset transfers to the customer, which typically occurs upon delivery of the product or when the product is made available to the customer for pickup at the **date** Company's shipping dock. Additionally, pursuant to the contractual terms with the Company's customers, the customer must notify the Company of, and purchase from the Company, any rented tools that are damaged beyond repair, lost-in-hole, or lost-in-transit while in the care, custody or control of the **financial statements, which management considered** Company's customers. Revenue is recognized for these products at a point in **formulating its estimate, could change** time upon the customer's notification to the Company of the occurrence of one of these noted events.

The Company does not have any revenue expected to be recognized in the **near term due** future related to **one** remaining performance obligations or **more future confirming events**. Accordingly, contracts with variable consideration related to undelivered performance obligations. There was no revenue recognized in the **actual results could differ significantly** current

period from those estimates, performance obligations satisfied in previous periods.

#### **Contract Assets and Liabilities**

Contract assets represent the Company's rights to consideration for work completed but not billed. As of December 31, 2023 and 2022, the Company had contract assets of \$4.2 million and \$4.8 million, respectively. Contract assets were recorded in accounts receivable, net in the accompanying consolidated balance sheets.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated services have not been performed and revenue has not been recognized based on the Company's revenue recognition criteria described above. As of December 31, 2023 and 2022, the Company did not have any material contract liabilities. All deferred revenue were expected to be recognized during the following 12 months, and they were recorded in accrued expenses and other current liabilities in the accompanying consolidated balance sheets.

#### **Cash and Cash Equivalents**

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The Company considers all short-term highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2022 December 31, 2023 and 2021. 2022.

#### **Accounts Receivable and Allowance for Credit Losses**

**Investments Held** The Company's accounts receivable consists principally of uncollateralized amounts billed to customers. These receivables are generally due within 30 to 60 days of the period in Trust Account which the corresponding sales or rentals occur and do not bear interest. They are recorded at net

realizable value less an allowance for credit losses and are classified as account receivable, net on the consolidated balance sheets.

The Company **classifies** adopted ASU 2016-13, *Financial Instruments - Credit Losses*, on December 31, 2022, which was retroactively applied as of the first day of fiscal year 2022. This accounting standard requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Prior to the adoption of this accounting standard, the Company recorded incurred loss reserves against receivable balances based on current and historical information.

DTI considers both current conditions and reasonable and supportable forecasts of future conditions when evaluating expected credit losses for uncollectible receivable balances. In our determination of the allowance for credit losses, we pool receivables by days outstanding and apply an expected credit loss percentage to each pool. The expected credit loss percentage is determined using historical loss data adjusted for current conditions and forecasts of future economic conditions. Current conditions considered include predefined aging criteria, as well as specified events that indicate the balance due is not collectible. Reasonable and supportable forecasts used in determining the probability of future collection consider publicly available macroeconomic data and whether future credit losses are expected to differ from historical losses.

The Company is not party to any off-balance sheet arrangements that would require an allowance for credit losses in accordance with this accounting standard.

The beginning accounts receivable balance as of January 1, 2022 was \$20.0 million. The changes in the allowance for credit losses for the year ended December 31, 2023 were as follows (in thousands):

#### **Allowance for credit losses**

Balance at December 31, 2021	\$	(1,222)
Cumulative effect adjustments upon adoption of ASU 2016-13		-
Additions during 2022		(336)

Utilization of allowance for credit losses	60
Balance at December 31, 2022	(1,498)
Additions during 2023	(117)
Utilization of allowance for credit losses	157
Balance at December 31, 2023	(1,458)

### **Inventories, net**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by using the specific identification method. Inventory that is obsolete or in excess of forecasted usage is written down to its U.S. Treasury net realizable value based on assumptions regarding future demand and equivalent securities market conditions. Inventory write-downs are charged to operating costs and establish a new cost basis for the inventory. Inventory includes raw material and finished goods.

### **Property, Plant and Equipment**

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Property, plant and equipment purchased by the Company are recorded at cost less accumulated depreciation. Depreciation is recorded using the straight-line method based on the estimated useful lives of the depreciable property or, for leasehold improvements, the remaining term of the lease, whichever is shorter. Assets not yet placed in use are not depreciated.

Property, plant and equipment acquired as part of a business acquisition is recorded at acquisition date fair value with subsequent additions at cost.

The cost of refurbishments and renewals are capitalized when the value of the property, plant or equipment is enhanced for an extended period. Expenditures to maintain and repair property, plant and equipment, which do not improve or extend the life of the related assets, are charged to operations when incurred.

When property, plant and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

### **Impairment of Long-Lived Assets**

Long-lived assets with finite lives include property, plant and equipment and acquired intangible assets. The Company evaluates long-lived assets, including acquired intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets held and used is measured by comparison of the carrying amount of an asset or an asset group to maturity estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset exceeds these estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the assets exceeds the fair value of the asset or asset group.

For the year ended December 31, 2023 and 2022, management determined that there were no triggering events necessitating impairment testing of property, plant, and equipment or intangible assets.

### **Leases**

The Company adopted ASC 842, *Leases* ("ASC 842") as of January 1, 2022 using the modified retrospective transition approach, with no restatement of prior periods or cumulative adjustments to retained earnings. Upon adoption, the Company elected the package of transition practical expedients, which allowed it to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. The Company elected the use-of-hindsight to reassess lease term. The Company elected not to recognize leases with an initial term of 12 months or less within the consolidated balance sheets and to recognize those lease payments on a straight-line basis in the consolidated statements of income and comprehensive income over the lease term. The new lease accounting standard also provides practical expedients for an entity's ongoing accounting. The Company

elected the practical expedient to not separate lease and non-lease components for all leases.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and current operating lease liabilities and operating lease liabilities, net of current portion on the consolidated balance sheets. The Company recognizes lease expense for its operating leases on a straight-line basis over the term of the lease.

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ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from a lease. ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets also include the impact of any lease incentives. An amendment to a lease is assessed to determine if it represents a lease modification or a separate contract. Lease modifications are reassessed as of the effective date of the modification using an incremental borrowing rate based on the information available at the commencement date. For modified leases the Company also reassess the lease classification as of the effective date of the modification.

The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in the Company's leases is not readily determinable. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located.

The Company's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option in the measurement of its ROU assets and liabilities. The Company considers contractual-based factors such as the nature and terms of the renewal or termination, asset-based factors such as physical location of the asset and entity-based factors such as the importance of the leased asset to the Company's operations to determine the lease term. The Company generally uses the base, noncancelable, lease term when determining the ROU assets and lease liabilities. The right-of-use asset is tested for impairment in accordance with ASC 320, "Investments Topic 360, *Property, Plant, and Equipment*.

#### Lessor Accounting

Our leased equipment primarily consists of rental tools and equipment. Our agreements with our customers for rental equipment contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use.

Our lease contract periods are daily, monthly, per well or based on footage. Lease revenue is recognized on a straight-line basis based on these rates. We do not provide an option for the lessee to purchase the rented tools at the end of the lease and the lessees do not provide residual value guarantees on the rented assets.

We recognized operating lease revenue within "Tool rental" on the consolidated statements of income and comprehensive income.

#### **Intangibles**

Intangible assets with finite useful lives include customer relationships, trade name, patents, non-compete agreements and a supply agreement. These intangible assets are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the intangible are realized.

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### **Investment - Debt and Equity Securities” Held-to-maturity Securities**

Equity securities are those stated at fair value. Unrealized gains and losses are reflected in the consolidated statements of income and comprehensive income. The Company periodically reviews the securities for other than temporary declines in fair value below cost and more frequently when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the year ended December 31, 2023 and 2022, the Company believes the cost of the securities was recoverable in all material respects.

### **Derivative Financial Instruments**

From time to time, the Company may enter into derivative instruments to manage exposure to interest rate fluctuations. During 2016, the Company entered into an interest swap agreement with respect to amounts outstanding under its revolving line of credit.

The Company's interest rate swap is a pay-fixed, receive-variable interest rate swap based on SOFR swap rate. The SOFR swap rate is observable at commonly quoted intervals for the full term of the swap and therefore is considered a Level 2 item. For interest rate swaps in an asset position, the credit standing of the counterparty is analyzed and factored into the fair value measurement of the asset. The impact of the Company's creditworthiness has also been factored into the fair value measurement of the interest rate swap in a liability position. For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.



This arrangement was designed to manage exposure to interest rate fluctuations by effectively exchanging existing obligations to pay interest based on floating rates for obligations to pay interest based on a fixed rate. These derivatives are marked-to-market at the end of each quarter and the realized/unrealized gain or loss is recorded as interest expense.

For the year ended December 31, 2022, the Company recognized an unrealized gain due to the change in fair value of its interest rate swap of \$1.4 million. The interest swap agreement was settled on July 10, 2023. Upon settlement, the swap had a fair value of \$0.4 million. For the year ended December 31, 2023, the settlement resulted in a realized loss of \$4 thousand. The realized losses are included in other expense, net in the consolidated statements of income and comprehensive income.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels:

**Level 1** – Valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets.

**Level 2** – Valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets and other observable inputs directly or indirectly related to the assets or liabilities being measured.

**Level 3** – Valuation inputs are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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Asset and liabilities measured at fair value are summarized as follows (in thousands):

	Assets at Fair Value as of December 31,			
	2023			
	Level 1	Level 2	Level 3	Total
Investments, equity securities	\$ 888	\$ —	\$ —	\$ 888
<b>Total assets at fair value</b>	<b>\$ 888</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 888</b>
	Assets at Fair Value as of December 31,			
	2022			
	Level 1	Level 2	Level 3	Total
Investments, equity securities	1,14			1,14
Interest rate swap	\$ 3	\$ —	\$ —	\$ 3
	—	476	—	476
<b>Total assets at fair value</b>	<b>1,14</b>			<b>1,61</b>
	<b>\$ 3</b>	<b>\$ 476</b>	<b>\$ —</b>	<b>\$ 9</b>

As of December 31, 2023 and 2022, the Company did not have any Level 3 assets or liabilities.

#### Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, accounts receivable, and accounts payable. The carrying amount of such instruments approximates fair value due to their short-term nature.

### **Redeemable Convertible Preferred Stock**

Prior to the closing of the Merger, there were outstanding shares of DTIH Series A redeemable convertible preferred stock (the "redeemable convertible preferred stock"), which was classified outside of permanent equity in mezzanine equity on the consolidated balance sheets as it was redeemable on a fixed date.

Upon the closing of the Merger, all of the redeemable convertible preferred stock was canceled in exchange for DTIC Common Stock and the right to receive cash. Accordingly, there was no redeemable convertible preferred stock outstanding as of December 31, 2023. As of December 31, 2022, the carrying value of the redeemable convertible preferred stock outstanding was \$17.9 million.

### **Preferred Stock**

As of the closing of the Merger, the Board have expressly granted authority to issue shares of preferred stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board providing for the issue of such series and as may be permitted by the Delaware General Corporation Law. The number of authorized shares of preferred stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the preferred stock, or any series thereof, unless a vote of any such holders is required pursuant to any preferred stock designation.

The Board of the Company has not issued any shares of any classes or series of preferred stock as of December 31, 2023, and through the ability date these financial statements were available to be issued.

### **Cost of Revenue**

The Company recorded all operating costs associated with its product sales and intent to hold until maturity. Held-to-maturity treasury securities tool rental revenue streams in cost of product sale revenue and cost of tool rental revenue, respectively, in the consolidated statements of income and comprehensive income. All indirect operating costs, including labor, freight, contract labor and others, are recorded at amortized included in selling, general, and administrative expense in the consolidated statements of income and comprehensive income.

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### Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation—Stock Compensation (“ASC 718”). ASC 718 requires that the cost of awards of equity instruments offered in exchange for employee services, including employee stock options and restricted stock awards, be measured based on the accompanying balance sheets grant-date fair value of the award. The Company determines the fair value of stock options granted using the Black-Scholes- Merton option-pricing model (“Black-Scholes model”) and adjusted recognizes the cost over the period during which an employee is required to provide service in exchange for the amortization award, generally the vesting period, with forfeitures accounted for as they occur. For any stock options granted prior to the Company’s common stock being publicly traded on June 21, 2023, the Company estimated the fair value of its common stock as of the grant date and used these estimates as inputs into the Black-Scholes model. The Board considered numerous objective and subjective factors to determine the fair value of the Company’s common stock at each meeting in which awards were approved. The factors considered include, but were not limited to: (i) the results of contemporaneous independent third-party valuations of the Company’s common stock; (ii) the prices, rights, preferences, and privileges of the redeemable convertible

preferred stock relative to those of its common stock; (iii) the lack of marketability of the Company's common stock; (iv) actual operating and financial results; (v) current business conditions and projections; (vi) the likelihood of achieving a liquidity event, such as an initial public offering or accretion sale of premiums or discounts.

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[Table the Company, given prevailing market conditions; and \(vii\) precedent transactions involving the Company's shares. For the year ended December 31, 2023, the Company did not grant any stock options. For any grants of Contents](#)

#### Offering CostsEarnings Per Share

Basic earnings per share is computed by dividing the net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings is computed by adjusting net income (loss) to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted earnings is computed by dividing the diluted net income (loss) by the weighted-average number of common shares outstanding for the period, including potential dilutive common stock. For the purposes of this calculation, outstanding stock options and redeemable convertible preferred stock are considered potential dilutive common stock and are excluded from the computation of net loss per share if their effect is anti-dilutive.

The Company complies with redeemable convertible preferred stock did not contractually entitle its holders to participate in profits or losses. As such, it was not treated as a participating security in periods of net income or net loss.

#### Income Taxes

Income taxes are provided for the requirements tax effects of transactions reported in the ASC 340-10-S99-1 consolidated financial statements and SEC Staff Accounting Bulletin ("SAB") Topic 5A — "Expenses of Offering". Offering costs consist of legal, accounting, underwriting fees and other costs incurred through the Initial Public Offering date that are directly related to the Initial Public Offering. Offering costs were charged to temporary equity upon the completion of the Initial Public Offering.

### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes under ASC 740, "Income Taxes," currently due plus deferred taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that included includes the enactment date. Valuation allowances are established, when necessary, to reduce Deferred income tax expense represents the change during the period in the deferred tax assets and liabilities.

The Company is subject to state income taxes in various jurisdictions.

The Company follows guidance issued by the amount FASB in accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the consolidated financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits and upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria,

the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized.

ASC 740 prescribes a recognition threshold realized upon its ultimate settlement. The Company has no uncertain tax positions at December 31, 2023 and a measurement attribute for the financial statement recognition and measurement of 2022. The Company believes there are no tax positions taken or expected to be taken in a that would significantly increase or decrease unrecognized tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. within twelve months of the reporting date.

The Company recognizes accrued records income tax related interest and penalties, related to unrecognized tax benefits if applicable, as a component of the provision for income tax expense. There However, there were no unrecognized tax benefits and no amounts accrued for recognized relating to interest and penalties in the consolidated statements of income and comprehensive income for the year ended December 31, 2023 and 2022.

### Operating Segment

Operating segments are identified as components of December 31, 2022 an enterprise about which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in deciding resource allocation and 2021, assessing performance. The Company's Chief Executive Officer works as the CODM. The Company's CODM reviews financial information presented on a consolidated basis for the purposes of making operations decisions, allocating resources and evaluating

financial performance. Consequently, the Company has determined it operates in one operating and reportable segment.

#### **Accounting Standards Issued Not Yet Effective**

In December 2023, FASB issued Accounting Standard Update (“ASU”) 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures, which requires enhanced income tax disclosures that reflect how operations and related tax risks, as well as how tax planning and operational opportunities, affect the tax rate and prospects for future cash flows. This standard is effective for the Company beginning January 1, 2025 with early adoption permitted. The Company is currently not aware evaluating the effects of any issues under review that could result in significant payments, accruals or material deviation from adopting this new accounting guidance on its position. The Company is subject to income tax examinations by major taxing authorities since inception.

#### ***Common Stock Subject to Possible Redemption***

The Company accounts for its common stock subject to possible redemption in accordance with the guidance in ASC Topic 480, “Distinguishing Liabilities from Equity.” Common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) is classified in temporary equity. At all other times, common stock is classified as stockholders’ equity. The Company’s Public Shares feature certain redemption rights that are considered to be outside of the Company’s control and subject to occurrence of uncertain future events. Accordingly, at December 31, 2022 and 2021, the Public Shares are presented at redemption value as temporary equity, outside of the stockholders’ equity section of the Company’s balance sheets. The Company recognizes changes in redemption value immediately as they occur and adjusts the carrying value of the common stock subject to possible redemption to equal the redemption value at the end of each reporting period. Increases or decreases in the carrying amount of redeemable common stock are affected by charges against additional paid-in capital and accumulated deficit. This method would view the end of the



reporting period as if it were also the redemption date for the security.

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At December 31, 2022 and 2021, the common stock subject to possible redemption reflected in the balance sheets is reconciled in the following table:

Gross proceeds	\$ 207,000,000
Less:	
Proceeds allocated to Public Rights	\$ (17,595,000)
Common stock issuance costs	\$ (4,552,520)
Plus:	
Remeasurement of carrying value to redemption value	\$ 24,217,520
<b>Common stock subject to possible redemption, December 31, 2021</b>	<b>209,070,000</b>
Plus:	
Remeasurement of carrying value to redemption value	4,113,552
<b>Common stock subject to possible redemption, December 31, 2022</b>	<b>\$ 213,183,552</b>

## ***Net Income (Loss) per Common Share***

The Company complies with the accounting and disclosure requirements of FASB ASC Topic 260, "Earnings Per Share". Net income (loss) per share of common stock is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the period. Accretion associated with the redeemable shares of common stock is excluded from earnings per share as the redemption value approximates fair value.

The calculation of diluted income (loss) per share disclosures but does not consider the effect of the Rights issued in connection

with the (i) Initial Public Offering, and (ii) the private placement since the exchange of the Rights is contingent upon the occurrence of future events. The Rights may be exchanged for 2,070,000 shares of common stock in the aggregate. As of December 31, 2022, the Company did not have any dilutive securities or other contracts that could, potentially, be exercised or converted into common stock and then share in the earnings of the Company. As a result, diluted net income (loss) per share of common stock is the same as basic net income (loss) per share of common stock for the periods presented.

The following table reflects the calculation of basic and diluted net income (loss) per share of common stock (in dollars, except per share amounts):

	For The Period from September 2, 2021	
	For the Year Ended December 31, 2022	(Inception) Through December 31, 2021
	Common Stock	Common Stock
<i>Basic and diluted net income (loss) per common share</i>		
Numerator:		
Allocation of net income (loss) as adjusted	\$ 1,015,702	\$ (235,380)
Denominator:		
Basic and diluted weighted average shares outstanding	26,851,000	9,182,858
Basic and diluted net income (loss) per common share	\$ 0.04	\$ (0.03)

#### **Concentration of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Deposit Insurance Corporation Coverage of \$250,000. As of December 31, 2022 and 2021, the Company has not

experienced losses on this account and management believes the Company is not exposed to significant risks on such account.

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### ***Fair Value of Financial Instruments***

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC 820, "Fair Value Measurement," approximates the carrying amounts represented in the accompanying balance sheets, primarily due to their short-term nature.

### ***Recent Accounting Standards***

In June 2016, FASB issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 also requires additional disclosures regarding significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. The Company expects to adopt the provisions of this guidance on January 1, 2023. The currently expect adoption is not expected to will have a material impact on the Company's consolidated financial statements. The Company does not intend to early adopt this ASU.

Besides the above, In November 2023, FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures, which includes requirements for more robust disclosures of significant segment expenses and measures of a segment's profit and loss used in assessing performance. This standard is effective for the Company's

management does annual period beginning January 1, 2024 and interim periods beginning January 1, 2025 with early adoption permitted. The Company is still evaluating the effects of adopting this new accounting guidance on its disclosures.

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## **NOTE 2 - REVISIONS OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

During the preparation of its consolidated financial statements as of and for the year ended December 31, 2023, the Company identified certain errors in its previously issued consolidated statements of cash flows for the year ended December 31, 2022 and the three months ended March 31, 2023. The errors identified had no impact on the consolidated balance sheets, statements of operations/income and comprehensive income (loss), and statements of changes in redeemable convertible preferred stock and shareholders' equity for the year ended December 31, 2022 and the three months ended March 31, 2023. As described further below, the Company has revised its previously issued consolidated statement of cash flows for the year ended December 31, 2022 within this Annual Report on Form 10-K. The Company will revise its consolidated statement of cash flows for the three months ended March 31, 2023 in its future filing of its Quarterly Report on Form 10-Q as of and for the three months ended March 31, 2024. The following paragraphs describe the errors in the previously issued consolidated statements of cash flows for the year ended December 31, 2022 and the table following these paragraphs presents the quantitative impact of the errors described in the paragraphs below.

### *Statement of cash flow errors related to leases*

The Company determined that the previously reported amount of \$9.5 million in ROU assets obtained in exchange for lease liabilities disclosed within the non-cash investing and financing activities section of the consolidated statement of cash flows for the year ended December 31, 2022 was calculated incorrectly. The calculation of the amount previously reported in the consolidated statement of cash flows incorrectly included amounts for Canadian leases that were excluded from the consolidated balance sheet due to their being immaterial. In addition, the calculation

incorrectly included amounts for ROU assets obtained in exchange for lease liabilities whereby the leases had terminated.

Also, with respect to leases, the Company determined that the previously reported amount of non-cash lease expense of negative \$3.8 million within the operating activities section of the consolidated statement of cash flows for the year ended December 31, 2022 was calculated incorrectly. The previously reported amount was calculated as solely the change in ROU assets from December 31, 2021 to December 31, 2022 without taking into account the fact that the change in ROU assets is also impacted by the non-cash ROU assets obtained in exchange for lease liabilities.

In addition, the Company determined that the previously reported amount of \$3.7 million for operating lease liabilities within the changes in operating assets and liabilities section of the consolidated statement of cash flows was calculated incorrectly. The previously reported amount was calculated as solely the change in the operating lease liability from December 31, 2021 to December 31, 2022 without taking into account the fact that the change in the operating lease liability is also impacted by the non-cash ROU assets obtained in exchange for lease liabilities described above.

#### *Statement of cash flow errors related to inventory and property, plant, and equipment*

The Company determined that the previously reported amount of inventories of negative \$1.0 million within the changes in operating assets and liabilities section of the consolidated statement of cash flows for the year ended December 31, 2022 was calculated incorrectly. The calculation of the amount previously reported in the consolidated statement of cash flows incorrectly included the non-cash amounts expensed on the income statement for the provision for excess and obsolete inventory. The provision for excess and obsolete inventory should have been presented separately within the reconciliation of net income to net cash flows from operating activities in the consolidated statement of cash flows for the year ended December 31, 2022.

In addition, the Company determined that the previously reported amount of inventories of negative \$1.0 million and accounts payable of negative \$1.0 million within the changes in operating assets and liabilities section of the consolidated statement of cash flows for the year ended December 31, 2022 were not believe adjusted for the impact of the amount of purchases of inventory that any recently issued, but were not paid in cash during the year ended December 31, 2022. The previously reported amounts were calculated as solely the changes in inventories and accounts payable from December 31, 2021 to December 31, 2022 without taking into account the fact that the changes in both inventories

and accounts payable are also impacted by the amount of inventory that has not yet effective, accounting standards, if currently adopted. would have a material effect been paid in cash at period end.

The Company determined that the previously reported amount of proceeds from sale of lost-in-hole equipment of \$20.3 million within the investing activities section of the consolidated statement of cash flows for the year ended December 31, 2022 was calculated incorrectly. The calculation of the amount previously reported in the consolidated statement of cash flows incorrectly included the non-cash amounts expensed on the accompanying financial statements, income statement for the provision for excess and obsolete property, plant and equipment. The amount for the provision for excess and obsolete property, plant and equipment should have been presented within the reconciliation of net income to net cash flows from operating activities on the consolidated statement of cash flows for the year ended December 31, 2022.

**NOTE 3. INITIAL PUBLIC OFFERING** Furthermore, the Company determined that the previously reported amount of purchases of property, plant and equipment of negative \$23.8 million within the investing activities section of the consolidated statement of cash flows for the year ended December 31, 2022 was calculated incorrectly. The Company determined that the previously reported amount of purchases of property, plant and equipment was calculated using an incorrect amount for the additions to property, plant and equipment that were not paid for in cash during the year ended December 31, 2022.

**Pursuant**

Additionally, the Company determined that the previously reported amount of accounts payable of negative \$1.0 million within the operating activities section of the consolidated statement of cash flows for the year ended December 31, 2022 was not adjusted for the impact of the purchases of property, plant and equipment that were not paid for in cash during the year ended December 31, 2022.

Also, with respect to inventory and property, plant and equipment, the Company determined that the previously disclosed non-cash investing

and financing activities section incorrectly failed to disclose the amounts of purchases of inventory and property, plant and equipment remaining in accounts payable as of December 31, 2022.

The Company evaluated the errors described above (and quantified in the table below), both qualitatively and quantitatively, in accordance with Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) Topic 1.M, Materiality, codified in ASC 250, Accounting Changes and Error Corrections, and concluded that the errors were not material to the Initial Public Offering, previously issued financial statements taken as a whole. The consolidated financial statements presented herein as of and for the years ended December 31, 2023 and 2022 have been revised to correct the errors described above in accordance with SEC SAB Topic 1.M, as codified in ASC 250.

The following table presents (in thousands) the effects of the corrections of the errors described above:

	For the year ended December 31, 2022		
	As		
	Previously		
Consolidated Statement of Cash Flows	Reported	Adjustment	As Revised
Non-cash lease expense	\$ (3,768)	\$ 7,907	\$ 4,139
Provision for excess and obsolete inventory	—	45	45
Provision for excess and obsolete property and equipment	—	510	510
Inventories, net	(940)	34	(906)
Operating lease liabilities	3,733	(7,907)	(4,174)
Accounts payable	(981)	(451)	(1,432)
Purchase of property, plant and equipment	(23,753)	(935)	(24,688)
Proceeds from sale of lost-in-hole equipment	20,319	797	21,116
ROU assets obtained in exchange for lease liabilities	9,451	(1,544)	7,907
Purchases of inventory included in accounts payable and accrued expenses and other current liabilities	—	79	79

Purchases of property and equipment included in accounts payable and accrued expenses and other current liabilities	—	372	372
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### NOTE 3 – MERGER

As discussed in Note 1 - *Summary of significant accounting Policies*, on June 20, 2023, the Company sold 18,000,000 Units at a price completed the Merger. Upon the closing of \$10.00 per Unit, the Merger, the following occurred:

- Each Unit consists of one share of DTIH common stock issued and one outstanding immediately prior to the closing of the Merger, which totaled 52,363,876 shares (other than the shares described for the net exercise of the option and as compensation pursuant to the TSA), was exchanged for the right ("Public Right"). Each right entitles the holder thereof to receive one-tenth (0.22821/10) shares of a share of common stock upon the consummation of a Business Combination (see Note 7). On December 9, 2021, the underwriter elected to fully exercise their over-allotment option, DTIC Common Stock (the "Common Exchange Ratio") resulting in the sale issuance of an additional 2,700,000 units at 11,951,137 shares of DTIC Common Stock.
- Each share of DTIH redeemable convertible preferred stock issued and outstanding immediately prior to the closing of the Merger, which totaled 20,370,377 shares, was exchanged for the right to receive 0.3299 shares of DTIC Common Stock (the "Preferred Exchange Ratio") resulting in the issuance of 6,719,641 shares of DTIC Common Stock.
- Each non-redeemable share of ROC common stock issued and outstanding immediately prior to the closing of the Merger, which totaled 3,403,500 shares, was exchanged for, on a one-for-one basis, shares of DTIC Common Stock.
- Each share of ROC common stock subject to possible redemption that was not redeemed prior to the closing of the Merger, which



totaled 158,621 shares, was exchanged for, on a one-for-one basis, shares of DTIC Common Stock.

- Each of ROC's public rights and private rights outstanding immediately prior to the closing of the Merger, which totaled 20,700,000 and 796,000, respectively, were exchanged for, on a ten-for-one basis, 2,070,000 and 79,600 shares of DTIC Common Stock, respectively.
- Prior to the closing of the Merger, one DTIH stock option holder elected to net exercise all of such holder's options, resulting in the issuance of 158,444 shares of DTIH common stock, which upon the closing of the Merger, were canceled and exchanged for the right to receive 0.2282 shares of DTIC Common Stock per share of DTIH common stock, which resulted in the issuance of 36,163 shares of DTIC Common Stock.
- DTIH entered into a transaction services agreement (the "TSA") with Hicks Holdings Operating LLC ("HLLC") on January 27, 2012, as amended February 13, 2023, pursuant to which DTIH must pay HLLC a transaction fee equal to 1.5% of any subsequent transaction, as defined in the TSA. The Merger constitutes a subsequent transaction per the TSA and, therefore, the Board authorized DTIH to issue 1,149,830 shares of DTIH common stock to HLLC and 328,611 shares of DTIH common stock to a stockholder of DTIH who is affiliated with HLLC, immediately prior to the closing of the Merger. The DTIH common stock was issued immediately prior to the closing of the Merger and the issuance resulted in the recognition of \$2.3 million of stock-based compensation expense within other expense on the consolidated statements of income and comprehensive income for the year ended December 31, 2023. The shares of DTIH common stock issued were exchanged for 337,429 shares of DTIC Common Stock as of the date of the closing of the Merger in accordance with the Common Exchange Ratio. The \$2.3 million of stock-based compensation was recorded by taking the \$6.95 quoted market price of \$10.00 per Unit. The aggregate number the Company's common stock as of units sold was 20,700,000 the date and time of the closing of the Merger and multiplying this price by the 337,429 shares of DTIC Common Stock Issued.
- In connection with the Merger, certain holders of DTIH redeemable convertible preferred stockholders entered into exchange agreements (the "Exchange Agreements") wherein the DTIH redeemable convertible preferred stockholders exchanged their rights to receive a portion of the \$11.0 million Aggregate Company Cash Consideration (as defined within the Merger Agreement) for the rights to receive shares of DTIC Common Stock. Immediately following the effectiveness of the Exchange Agreements, which became effective as of the closing of the Merger, the holders of DTIH redeemable convertible preferred stock that participated in the Exchange Agreements held 2,042,181 shares of DTIC Common Stock as a total result of \$207,000,000.

their participation in the Exchange Agreements. In addition, the holders of DTIH redeemable convertible preferred stock that did not participate in the Exchange Agreements were paid \$0.2 million from the

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#### NOTE 4. PRIVATE PLACEMENT

##### Simultaneously

Aggregate Company Cash Consideration in exchange for the cancellation of their DTIH redeemable convertible preferred stock in connection with the closing of the Initial Public Offering, Merger.

- In connection with the Sponsor purchased Merger, ROC entered into subscription agreements (the "Subscription Agreements") with certain accredited investors (which were related parties of ROC due to their affiliation with ROC Energy Holdings, LLC, which is ROC's sponsor ("Sponsor" or "ROC Sponsor")) (the "PIPE Investors") for an aggregate of 715,000 Placement Units, 2,970,296 shares of DTIC Common Stock at a price of \$10.00 \$10.10 per Placement Unit, share, for an aggregate purchase price a total of \$7,150,000, in a private placement. Each Private Placement Unit consists of \$30.00a share of common stock ("Private Placement Share") and one right ("Private Placement Right" million (the "PIPE Financing"). Each Private Placement Right entitles Upon the holder thereof closing of the PIPE Financing (which closed in connection with the closing of the Merger), the Company received \$25.9 million in cash and \$4.1 million worth of shares from the PIPE Financing were used to receive one-tenth ( settle related party promissory notes issued by ROC to the ROC Sponsor and an affiliate of ROC Sponsor.

The proceeds received by the Company from the Merger and PIPE Financing, net of transaction costs, totaled \$23.2 million.

The Merger was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, ROC was treated as the acquired company for financial reporting purposes (see Note 1, *Summary of Significant Accounting Policies* for further details. Accordingly, for accounting purposes, the Merger was treated as the equivalent of the Company issuing shares for the net assets of ROC, accompanied by a recapitalization. The net assets of ROC were stated at historical cost with no goodwill or other intangible assets recorded.

The following table presents the total DTIC Common Stock outstanding immediately after the closing of the Merger:

Exchange of ROC common stock not subject to possible redemption for DTIC	
Common Stock upon Merger	3,403,500
Conversion of ROC Public Rights into shares of DTIC Common Stock	2,070,000
Conversion of ROC Private Rights into shares of DTIC Common Stock	79,600
Exchange of ROC common stock subject to possible redemption that was not redeemed for DTIC Common Stock	158,621
Subtotal - Merger, net of redemptions	5,711,721
Issuance of DTIC Common Stock in connection with PIPE Financing	2,970,296
Exchange of DTIH common stock outstanding as of December 31, 2022 for DTIC	11,951,13
Common Stock	7
Exchange of DTIH redeemable convertible preferred stock outstanding as of	
December 31, 2022 for DTIC Common Stock	6,719,641
Issuance of shares as stock-based compensation to former DTIH stockholders as part of transaction services agreement upon the Merger	337,429
Issuance of DTIC Common Stock to former holders of DTIH redeemable convertible preferred stock in connection with	
Exchange Agreements	2,042,181
Net exercise of stock options by DTIH stockholder	36,163
Total - DTIC Common Stock outstanding as a result of Merger, PIPE Financing,	
DTIH for DTIC share exchanges, transaction services agreement, Exchange	29,768,56
Agreements, and exercise of stock options	8

#### NOTE 4 - INVESTMENTS - EQUITY SECURITIES

The following table shows the cost and fair value of the Company's investments in equity securities (in thousands):

	Unrealized		
	Cost	Loss	Fair Value
December 31, 2023	\$ 999	\$ (111)	\$ 888
	Unrealized		
	Cost	Gain	Fair Value
December 31, 2022	\$ 999	\$ 144	\$ 1,143

Unrealized holding losses on equity securities for the year ended December 31, 2023 were \$0.3 million where unrealized holding gains on equity securities for the year ended December 31, 2022 were \$0.2 million.

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#### NOTE 5 - BALANCE SHEET DETAILS - CURRENT ASSETS AND CURRENT LIABILITIES

##### *Inventories, net*

The following table shows the components of inventory (in thousands):

	December 31, 2023	December 31, 2022
Raw materials	\$ 5,022	\$ 3,377
Finished goods	16	115
<b>Total inventories</b>	<b>5,038</b>	<b>3,492</b>
Allowance for obsolete inventory	(4)	(211)
<b>Inventories, net</b>	<b>5,034</b>	<b>3,281</b>

**Prepaid expenses and other current assets**

The following table shows the components of prepaid expenses and other current assets (in thousands):

	December 31, 2023	December 31, 2022
<b>Prepaid expenses:</b>		
ERC benefits receivable	\$ —	\$ 2,117
Deposits on inventory	2,146	680
Prepaid income tax	362	—
Prepaid insurance	1,110	358
Prepaid rent	372	381
Prepaid equipment	331	179
Prepaid other	214	173
<b>Other current assets:</b>		
Interest rate swap asset	\$ —	\$ 476
Other	18	17
<b>Total</b>	<b>\$ 4,553</b>	<b>\$ 4,381</b>

**Accrued expenses and other current liabilities**

The following table shows the components of accrued expenses and other current liabilities (in thousands):

	December 31, 2023	December 31, 2022
<b>Accrued expenses:</b>		
Accrued compensation and related benefits	\$ 4,999	\$ 3,392
Accrued insurance	978	525
Accrued transaction advisory fees	1,000	—
Accrued professional services	189	509
Accrued interest	58	62
Accrued property taxes	60	41
Accrued monitoring fee	373	
Other	147	38
<b>Other current liabilities:</b>		
Income tax payable	\$ 1,586	\$ 1,780
Sales tax payable	71	587
Unbilled lost-in-hole revenue	76	282
Deferred revenue	1,042	83
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 10,579</b>	<b>\$ 7,299</b>

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT, NET**

The following table shows the component of property, plant and equipment, net (in thousands):

	Estimated Useful Lives (in Years)	December 31, 2023	December 31, 2022
Rental tools and equipment		188,94	160,97
	5-10	9	3
Buildings and improvements	5-40	6,672	5,781
Office furniture, fixtures and equipment	3-5	2,389	2,101
Transportation and equipment	3-5	793	827
<b>Total property, plant and equipment</b>		<b>198,80</b>	<b>169,68</b>
		<b>3</b>	<b>2</b>
Less: accumulated depreciation		(133,0	(125,5
		03)	37)
<b>Property, plant and equipment, net (excluding construction in progress)</b>		<b>65,800</b>	<b>44,145</b>
Construction in progress		—	9
<b>Property, plant and equipment, net</b>		<b>\$ 65,800</b>	<b>\$ 44,154</b>

Total depreciation expense for the year ended December 31, 2023 and 2022 was approximately \$20.3 million and \$19.7 million, respectively. The Company has not acquired any property, plant and equipment under capital leases.

Property, plant and equipment, net, were concentrated within the United States. As of December 31, 2023 and 2022, property, plant and equipment, net held within the United States was \$63.0 million and \$41.8 million, respectively, or 96% and 95% of total property, plant and equipment, net, respectively. As of December 31, 2023 and 2022, property, plant and equipment, net held outside of the United States, in

Canada, was \$2.8 million and \$2.3 million, or 4% and 5% of total property, plant and equipment net for both periods.

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#### NOTE 7 -INTANGIBLES, NET

The following table shows the components of intangible assets, net (in thousands):

	Useful		
	Lives (in Years)	December 31, 2023	December 31, 2022
Trade name	10-13	\$ 1,280	\$ 1,280
Technology	13	270	270
<b>Total intangible assets</b>		<b>1,550</b>	<b>1,550</b>
Less: accumulated amortization		(1,334)	(1,287)
<b>Intangible assets, net</b>		<b>\$ 216</b>	<b>\$ 263</b>

Total amortization expense for the year ended December 31, 2023 and 2022 was approximately \$47 thousand and \$0.1 million respectively.

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#### NOTE 8 – LEASES

**1/10** The Company leases various facilities and vehicles under noncancelable operating lease agreements. The remaining lease terms for our leases range from 1 month to 14 years. These leases often include options to extend the term of the lease, which may be for periods of up to 5 years. When it is reasonably certain that the option will be exercised,

the impact of the renewal term is included in the lease term for purposes of determining total future lease payments and measuring the ROU asset and lease liability. We apply the short-term lease policy election, which allows us to exclude from recognition leases with an original term of 12 months or less. We have not entered into any finance leases as of December 31, 2023.

For the year ended December 31, 2023 and 2022, the components of the Company's lease expense were as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Operating Lease Cost	\$ 6,077	\$ 5,722
Short-term Lease Cost	130	143
Variable Lease Cost	320	319
Sublease Income	(76)	(183)
<b>Total Lease Cost</b>	<b>\$ 6,451</b>	<b>\$ 6,001</b>

Supplemental balance sheet information related to leases was as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Weighted-average remaining lease term (in years)	6.55	7.53
Weighted average discount rate	5.80 %	5.34 %
	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash paid for amounts included in the measurement of lease liabilities	5,538	5,003

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the consolidated balance sheet as of December 31, 2023 were as follows (in thousands):

2024	\$ 4,923
2025	4,089
2026	3,522
2027	2,439
2028	1,939



Thereafter	5,605
<b>Total lease payments</b>	<b>\$ 22,517</b>
Less: imputed interest	(3,666)
<b>Present value of lease liabilities</b>	<b>\$ 18,851</b>

The Company leases downhole drilling tools to companies in the oil and natural gas industry. Such leases are accounted for in accordance with ASC 842. For the year ended December 31, 2023 and 2022, tool rental revenue was approximately \$119.2 million and \$99.0 million, respectively. Our lease contract periods are short-term in nature and are typically daily, monthly, per well, or footage based. Due to the short-term nature of the contracts, no maturity table is presented.

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#### NOTE 9 – REVOLVING CREDIT FACILITY

In December 2015, the Company entered into a credit facility with PNC Bank, National Association (the "Credit Facility"). The facility provides for a revolving line of credit with a maximum borrowing amount totaling \$60.0 million, as of December 31, 2023 and 2022.

On June 20, 2023, the Company entered into the Amended and Restated Revolving Credit, Security and Guaranty Agreement among Drilling Tools International, Inc., certain of its subsidiaries, Drilling Tools International Corporation and PNC Bank, National Association (the "Credit Facility Agreement") that modified the terms of its previous agreement and related amendments. This amended agreement modified certain defined terms in the previous agreement, removed the \$20.0 million unfunded capital expenditures requirement, removed the \$9.0 million sublimit to the Company's Canadian entity and changed the legal debtor from DTIH to DTIC. See Note 3, *Merger* for further discussion of the Merger.

For the year ended December 31, 2023, the interest on the amount drawn was based on SOFR or the bank's base lending rate plus applicable margin (approximately 8.4% at December 31, 2023). The

Credit Facility is collateralized by substantially all the assets of the Company and matures December 31, 2025.

As of December 31, 2023, there were no amounts drawn against the line of credit.

The Company is subject to various restrictive covenants associated with these borrowings including, but not limited to, a fixed charge ratio, and a minimum amount of undrawn availability. As of December 31, 2023, the Company was in compliance with all restrictive covenants.

#### ***Contingent Interest Embedded Derivative Liability***

Under the Credit Facility Agreement, the interest rate will reset (the 'Default Rate') upon the event of a share of common stock upon the consummation of a Business Combination. A portion of the proceeds from the sale of the Private Placement Units were default and an additional 2% will be added to the net proceeds base rate. The Company analyzed the Default Rate feature of the Credit Facility for derivative accounting consideration under ASC 815, *Derivatives and Hedging*, and determined the Default Rate met the definition of a derivative as it is a contingent interest feature. The Company also noted that the Default Rate feature (the 'Default Rate Derivative') required bifurcation from the Initial Public Offering held host contract and was to be accounted for at fair value. In accordance with ASC 815-15, the Company bifurcated the Default Rate feature of the note and determined the derivative is liability classified.

The Default Rate Derivative is treated as a liability, initially measured at fair value with subsequent changes in fair value recorded in earnings. Management has assessed the probability of occurrence for a non-credit default event and determined the likelihood of a referenced event to be remote. Therefore, the estimated fair value of the Default Rate Derivative was negligible as of December 31, 2023 and 2022 and, therefore, no amounts were recorded as of December 31, 2023 and 2022.

#### NOTE 10 – REVENUE

Revenue generated was concentrated within the United States. For the year ended December 31, 2023 and 2022, the revenue generated within the United States was \$138.3 million and \$118.3 million, respectively, or 91% and 91% of total revenues, respectively. For the year ended December 31, 2023 and 2022, the revenue generated outside of the United States, in Canada and International, was \$13.7 million and \$11.3 million, respectively, or 9% and 9% of total revenues, respectively. The Company derives its revenue from two revenue types, tool rental services and product sales. The following table represents our revenues disaggregated by category:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Tool Rental Services	\$ 119,239	\$ 99,018
Product Sales	32,795	30,538
<b>Total Revenue</b>	<b>\$ 152,034</b>	<b>\$ 129,556</b>

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#### NOTE 11 – INCOME TAXES

For the years ended December 31, 2023, and 2022, income from continuing operations before taxes consisted of amounts related to U.S. operations and income associated with the Company's foreign operations predominantly in Canada. The geographical breakdown of the Company's income before provision for income taxes was as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Domestic	\$ 17,352	\$ 19,094
International	2,442	5,683
<b>Profits before provision for income taxes</b>	<b>\$ 19,794</b>	<b>\$ 24,777</b>

Income tax expense attributable to income from continuing operations consists of (in thousands):

Year Ended December 31,

	2023	2022
<b>Current provision for income taxes:</b>		
Federal	\$ 162	\$ 702
Foreign	656	1,444
State	785	472
Total current	1,603	2,618
<b>Deferred tax expense (benefit):</b>		
Federal	3,826	574
Foreign	34	488
State	(417)	18
Total deferred tax expense:	3,443	1,080
<b>Total provision for income taxes</b>	<b>\$ 5,046</b>	<b>\$ 3,698</b>

#### *Tax rate reconciliation*

The following table presents a reconciliation of the federal statutory rate to the Company's effective tax rate:

	Year Ended December 31,	
	2023	2022
U.S. federal tax benefit at statutory rate	21.0 %	21.0 %
State taxes, net of federal benefit	1.9 %	2.1 %
Permanent differences	3.6 %	2.0 %
Foreign rate differential	0.2 %	0.5 %
Valuation allowance	0.0 %	-2.1 %
Other	-1.2 %	-9.0 %
<b>Effective tax rate</b>	<b>25.5 %</b>	<b>14.5 %</b>

The effective tax rate impact of other category for the year ended December 31, 2023 is primarily made up of prior year true-ups resulting in a decrease of 1.2% or \$239 thousand. The effective tax rate impact of the other category for the year ended December 31, 2022, is primarily made up of tax basis balance sheet adjustments resulting in a decrease of 10.6% or \$2.6 million. The offsetting impacts to the tax rate were individually immaterial.

#### *Significant components of deferred taxes*

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2023 and 2022 are presented below (in thousands):

	Year Ended December 31,	
	2023	2022
<b>Deferred tax assets</b>		
Net operating loss carryforward	\$ 1,544	\$ 3,378
Allowance for doubtful accounts	333	323
Share-based compensation	1,451	941
Bonus accrual	440	599
Inventory	130	53
Intangible assets	1,129	1,152
Other	—	140
Gross deferred tax assets	5,028	6,587
Valuation allowance	—	—
Net deferred tax assets	5,028	6,587
<b>Deferred tax liabilities</b>		
Depreciation on property, plant, and equipment	(11,391)	(8,958)
Withholding tax on unremitted earnings	(264)	(72)
Other	—	(742)
Deferred tax liabilities	(11,655)	(9,772)
<b>Net deferred liabilities</b>	<b>\$ (6,627)</b>	<b>\$ (3,185)</b>

At December 31, 2023 and 2022, the Company had federal net operating loss carryforward of approximately \$4.1 million and \$15.1 million, respectively, which may be carried forward indefinitely and state and local net operating loss carryforward of approximately \$8.8 million and \$9.8 million, respectively, which expire at various dates.

The utilization of the Company's net operating losses may be subject to a limitation due to the "change in ownership provisions" under Section 382 of the Internal Revenue Code and similar state and foreign provisions. Such limitations may result in the **Trust Account** expiration of the net operating loss carryforwards before their utilization.

The Company is subject to income taxes in the U.S. federal jurisdiction, various state jurisdictions as well as Canada. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Company's tax years remain open for examination by all tax authorities since inception and carryover attributes remain open to adjustment by the U.S. and state authorities.

## NOTE 12 – STOCK-BASED COMPENSATION

On December 9, 2021, June 20, 2023, the underwriter elected to fully exercise their over-allotment option, resulting in Company adopted the sale of an additional 81,000 Private Placement Units at a price of \$10.00 per Unit. A portion Drilling Tools International Corporation 2023 Omnibus Incentive Plan (the "2023 Plan"). The 2023 Plan became effective on the closing of the proceeds from Merger, which also occurred on June 20, 2023. The 2023 Plan provides for the sale issuance of shares of Common Stock up to ten percent (10%) of the additional Private Placement Units were added to the net proceeds from the Initial Public Offering held in the Trust Account. If the Company does not complete a Business Combination within the Combination Period, the proceeds from the sale shares of outstanding Common Stock as of the Private Placement Units held in the Trust Account will be used to fund the redemption closing of the Public Shares (subject Merger (which equates to 0 shares as of December 31, 2023) and automatically increases on the requirements first trading day of applicable law) and the Private Placement Units.

## NOTE 5. RELATED PARTY TRANSACTIONS

### **Founder Shares**

On October 7, 2021, the Sponsor paid \$25,000 to cover certain offering costs of the Company in consideration for 4,312,500 shares of common stock (the "Founder Shares"). In December 2021, the Company effected a stock dividend of 0.2 shares for each share of common stock outstanding, resulting in the Sponsor holding an aggregate number of 5,175,000 Founder Shares. The Founder Shares include an aggregate of up to 675,000 shares subject to forfeiture to the extent that the underwriters' over-allotment option is not exercised in full or in part, so that calendar year by the number of Founder Shares will shares of Common Stock equal 20% to three percent (3%) of the Company's total

number of outstanding Common Stock on the last day of the prior calendar year. The 2023 Plan allows for awards to be issued to employees, non-employee directors, and consultants in the form of options, stock appreciation rights, restricted shares, restricted stock units, performance based awards, other share-based awards, other cash-based awards, or a combination of the foregoing. As of December 31, 2023, there were 2,976,854 shares of Common Stock available for issuance under the 2023 Plan.

In connection with the Merger, all outstanding options to purchase shares of DTIH common stock were canceled and exchanged for options to purchase shares of DTIC Common Stock ("Company Options"). The number of Company Options issued and outstanding shares after the Initial Public Offering (assuming associated exercise prices were adjusted using the Sponsor does not purchase any Public Shares in Common Exchange Ratio used for the Initial Public Offering and excluding the Representative Shares and Private Shares) Merger (see Note 3, *Merger*). As a result of the underwriters' election Merger, the Company issued options to fully purchase a total of 2,361,722 shares of the Company's Common Stock to former holders of the DTIH stock options. The vesting schedules, remaining term, and provisions (other than the adjusted number of underlying shares and exercise their over-allotment option on December 9, 2021, prices) of the Company Options issued, are identical to the vesting schedules, remaining term, and other provisions of the DTIH stock options that were exchanged. Per a post-closing amendment, Company Options currently held by former holders of DTIH stock options are no Founder Shares are currently longer subject to forfeiture. employment considerations.

The Sponsor has agreed, subject to certain limited exceptions, not to transfer, assign or sell any fair value of each stock option award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatilities are based on comparable public company data. The Company uses future estimated employee termination and forfeiture rates of the Founder Shares until (1) with respect options within the valuation model. The expected term of options granted is derived using the "plain vanilla" method due to 50% the lack of history and volume of option activity at the Company. The risk-free rate is based on the approximate U.S. Treasury yield rate in effect at the time of grant. The Company's calculation of share price involves the use of different valuation techniques, including a combination of an income and market approach. For any grants of stock options subsequent to the Company being publicly traded, the Company will use the quoted market price as of

the Founder Shares, grant date as an input into the earlier Black-Scholes model. Determination of the fair value is a matter of judgment and often involves the use of estimates and assumptions.

In June of 2023 and prior to the closing of the Merger, one holder of DTIH stock options elected to exercise all of such holder's 580,000 stock options. The holder elected to net exercise, whereby the exercise price is paid in shares and additional shares are withheld for income taxes. The net exercise of the options resulted in 158,444 shares of DTIH common stock being issued prior to the Merger and subsequently canceled and exchanged for a total of 36,163 shares of DTIC Common Stock as of the date of the Merger.

The following table summarizes options outstanding, as well as activity for the year after ended December 31, 2023 (prior year amounts have been converted using the completion conversion ratio of a Business Combination 0.2282 applied in the Merger):

	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Shares	Price	Years	Value
OUTSTANDING, December 31, 2022	2,494,097	\$ 4.04	3.93
Granted	—	—	—
Exercised	(132,375)	5.04	—
Forfeited	—	—	—
OUTSTANDING, December 31, 2023	2,361,722	4.02	3.37
UNVESTED, December 31, 2023	—	—	—
EXERCISABLE, December 31, 2023	2,361,722	4.02	3.37



The aggregate intrinsic value is calculated as the difference between the exercise price and the date on which estimated fair value of the

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[Table Company's common stock as of Contents](#)

closing December 31, 2023 and 2022. Due to the exercise price of the stock options exceeding the current market price of the Company's common stock equals or exceeds \$12.50 per share (as adjusted for share sub-divisions, share dividends, rights issuances, reorganizations, recapitalizations and as of December 31, 2023, no intrinsic value has been realized from the like) for any 20 trading days within any 30-trading day period commencing after a Business Combination and (2) with respect to exercise of stock options during the remaining 50% of period.

During the Founder Shares, one year after the completion of a Business Combination, or earlier, in either case, if, subsequent to a Business Combination, ended December 31, 2023, the Company completes a liquidation, merger, share exchange or other similar transaction which results in all recognized \$1.7 million of the Company's stockholders having the right to exchange their common stock for cash, securities or other property.

**Administrative Support Agreement**

The Company entered into an agreement, commencing on December 1, 2021, through the earlier of the Company's consummation of a Business Combination and its liquidation, to pay Fifth Partners, LLC, an affiliate of the Sponsor, a total of \$13,000 per month for stock-based compensation expense within selling, general, and administrative services including office space, utilities expense on the consolidated statements of income and secretarial support. For comprehensive income related to the accelerated vesting of an executive's 534,063 performance-based stock options. The performance conditions were satisfied upon completion of

the Merger and all 534,063 performance-based stock options vested on June 20, 2023.

During the year ended December 31, 2022 and for the period from September 2, 2021 (inception) through December 31, 2021, December 31, 2023, the Company incurred recognized \$2.3 million of stock-based compensation expense within other expense, net on the consolidated statements of income and comprehensive income as a result of the issuance of shares in accordance with the TSA with HHLLC (see Note 3 - Merger).

During the year ended December 31, 2022, there was no stock-based compensation expense recognized.

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#### NOTE 13 – OTHER EXPENSE, NET

The following table shows the components of other expenses, net for the years ended December 31, 2023, and 2022 (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
HHLLC stock-based compensation	\$ (2,339)	\$ —
Transaction fees	(3,640)	—
Other, net	(428)	(436)
Interest income	48	52
<b>Other expense, net</b>	<b>\$ (6,359)</b>	<b>\$ (384)</b>

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## NOTE 14 – RELATED PARTY TRANSACTIONS

### **Management fees**

For the years ended December 31, 2023 and 2022, management fees paid \$156,000 to Hicks Holdings Operating LLC, a shareholder of the Company, were approximately \$1.1 million and \$13,000 \$0.4 million, respectively. Management fees paid to the shareholder are included in selling, general and administrative expense in the accompanying consolidated statements of income and comprehensive income.

### **Director fees**

For the years ended December 31, 2023 and 2022, director fees paid to our Board of Directors were approximately \$0.2 million and \$0.1 million, respectively. Director fees are included in selling, general and administrative expense in the accompanying consolidated statements of income and comprehensive income.

### **Leases**

For the years ended December 31, 2023 and 2022, the Company paid rent expense to Cree Investments, LLC, a shareholder of the Company, of approximately \$51 thousand and \$51 thousand, respectively, relating to the lease of a building. Future minimum lease payments related to this lease are included in the accounts payable and accrued expenses future minimum lease schedule in Note 7, Leases.

### **Tools**

For the accompanying balance sheets.

### **Promissory Notes — Related Parties**

On September 2, 2021 years ended December 31, 2022, the Sponsor issued an unsecured promissory note Company paid \$4 thousand to Heath Woodrum, a shareholder of the Company, (the “Promissory Note”), pursuant to which the Company could borrow up to an aggregate principal amount of \$300,000. The for tools.

### **Promissory Note was non-interest bearing and payable on the earlier of September 30, 2022 or the Notes**

Upon consummation of the Initial Public Offering. As of December 6, 2021, the Company had \$135,463 outstanding under the Promissory Note. There was no amount outstanding Merger on the Promissory Note as of December 31, 2022 and 2021 the Promissory Note is no longer available to be drawn upon.

On December 6, 2022 June 20, 2023, the Company issued a shares of DTIC Common Stock in connection with the PIPE Financing to payoff convertible promissory note (the "Note") in the principal amount of \$2,070,000 (the "Extension Payment") notes which were issued to an affiliate of the Company's ROC Sponsor (the "Payee") in connection with the Extension (as defined in Note 1), on December 6, 2022 and March 2, 2023, respectively. The Note bears no notes did not bear interest and is due were in the amounts of \$2.1 million and payable upon \$2.1 million, respectively.

#### **Working Capital Loan**

Prior to the earlier Merger on June 20, 2023, ROC paid the remaining outstanding principal amount owed to occur of (i) the date on which the Company's initial business combination is consummated and (ii) the liquidation an affiliate of the Company on or before March 6, 2023 (unless extended to June 6, 2023) or such later liquidation date as may be approved by ROC Sponsor in the Company's stockholders. At the election of the Payee, the unpaid principal amount of the Note may be converted into units of the Company (the "Conversion Units") with the total Conversion Units so issued will be equal to: (x) the portion of the principal amount of the Note being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

#### **Related Party Loans**

In addition, in order \$0.4 million for a loan to fund working capital deficiencies or and finance transaction costs in connection with the Merger. The loan did not bear interest.

#### **NOTE 15 – COMMITMENTS AND CONTINGENCIES**

The Company maintains operating leases for various facilities and vehicles. See Note 13, *Leases*, for further information.

## Litigation

From time to time, the Company may become involved in various legal proceedings in the ordinary course of its business and may be subject to third-party infringement claims.

In the normal course of business, the Company may agree to indemnify third parties with whom it enters into contractual relationships, including customers, lessors, and parties to other transactions with the Company, with respect to certain matters. The Company has agreed, under certain conditions, to hold these third parties harmless against specified losses, such as those arising from a Business Combination, breach of representations or covenants, other third-party claims that the Sponsor Company's products when used for their intended purposes infringe the intellectual property rights of such other third parties, or an affiliate other claims made against certain parties. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the Company's limited history of prior indemnification claims and the unique facts and circumstances that are likely to be involved in each particular claim.

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## NOTE 16 – EMPLOYEE BENEFIT PLANS

The Company has a defined contribution plan that complies with Section 401(k) of the Sponsor, or certain Internal Revenue Code. All employees are auto enrolled at a 3% contribution, unless they opt out, beginning on the first plan entry date following six months of service. Plan entry dates are the first day of January and July. For 2022, the Company matched employee contributions 150% of the first 3% of employee contributions, not to exceed \$2 thousand per participant per calendar year. Employees vest in employer contributions over six years. The contribution is limited to the maximum contribution allowed under the Internal Revenue Service Regulations. The total expense for the years ended December 31, 2023 and 2022 was approximately \$0.5 million and \$0.4 million, respectively.

## NOTE 17 – EARNINGS PER SHARE

Basic earnings per share is computed using the weighted-average number of common shares outstanding for the period.

Diluted earnings per share is computed using the weighted-average number of common shares outstanding for the period plus dilutive potential common shares, including performance share awards, using the treasury stock method. Performance share awards are included based on the number of shares that would be issued as if the end of the reporting period was the end of the performance period and the result was dilutive.

The following table sets forth the computation of the Company's officers basic and directors may, but are diluted net earnings per share for the years ended December 31, 2023 and 2022 (in thousands, except share and per share data):

	Year Ended December 31,	
	2023	2022
<b>Numerator:</b>		
Net income	\$ 14,748	\$ 21,080
Less: Redeemable convertible preferred stock		
dividends	(314)	(1,189)
Net income attributable to common shareholders — basic	\$ 14,434	\$ 19,891
Add: Redeemable convertible preferred stock		
dividends	314	1,189
Net income attributable to common shareholders — diluted	\$ 14,748	\$ 21,080
<b>Denominator</b>		

Weighted-average common shares used in computing earnings per share — basic	21,421,610	11,951,137
Weighted-average effect of potentially dilutive securities:		
Effect of potentially dilutive time-based stock options	488,997	1,006,729
Effect of potentially dilutive performance-based stock options	45,202	—
Effect of potentially dilutive redeemable convertible preferred stock	3,175,215	6,719,641
Weighted-average common shares outstanding — diluted	25,131,024	19,677,507
<b>Earnings per share — basic</b>	<b>\$ 0.67</b>	<b>\$ 1.66</b>
<b>Earnings per share — diluted</b>	<b>\$ 0.59</b>	<b>\$ 1.07</b>

As of December 31, 2023, the Company's potentially dilutive securities consisted of options to purchase common stock. As of December 31, 2022, the Company's potentially dilutive securities consisted of redeemable convertible preferred stock and options to purchase common stock. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net income per share for the periods presented because including them would have had an anti-dilutive effect:

	Year Ended December 31,	
	2023	2022
Time-based options outstanding	140,135	140,135
<b>Total</b>	<b>140,135</b>	<b>140,135</b>

Our performance-based stock options were excluded from the diluted earnings per share calculations for the years ended December 31, 2022 because all necessary performance conditions were not obligated to, loan satisfied by December 31, 2022. Our performance-based stock options excluded from diluted earnings per share for the year ended December 31, 2022 were as follows:

	Year Ended December 31,	
	2023	2022
Performance-based options outstanding	—	534,063
<b>Total</b>	<b>—</b>	<b>534,063</b>

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## NOTE 18 – SUBSEQUENT EVENTS

### *Acquisition of Casing Technologies Group Limited*

On March 18, 2024, the Company funds announced its entry into a share purchase agreement (the “CTG Purchase Agreement”) to acquire one hundred percent (100%) of the shares of Casing Technologies Group Limited, a Scottish limited company (“CTG”). CTG wholly owns Deep Casing Tools Limited, an energy technology development company. The initial accounting for this business combination is in process which includes conducting a valuation analysis to value the assets and liabilities assumed as may a result of the transaction. As such, the impact on the consolidated financial statements cannot be required (“Working Capital Loans”). If estimated at this time.

### *Issuance of Stock Options*

On February 14, 2024, the Company completes a Business Combination, the Company may repay the Working Capital Loans out issued stock options to members of the proceeds Company's management team, including: (i) 1,000,000 stock options to Robert Prejean, President and Chief Executive Officer (the “Prejean 2024 Stock Options”), (ii) 380,000 stock options to David Johnson, Chief Financial Officer (the “Johnson 2024 Stock Options”), and (iii) 300,000 stock options to Michael Domino, President of the Trust Account released to Directional tool Rentals



Division (the “Domino 2024 Stock Options,” and together with the Company. Otherwise, Prejean 2024 Stock Options and the Working Capital Loans may be repaid only out of funds held outside Johnson 2024 Stock Options, the Trust Account. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender’s discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into units upon consummation “2024 Stock Options”). Each of the Business Combination 2024 Stock Options vest in substantially equal installments on each of the first three (3) anniversaries of the grant date. The 2024 Stock Options are exercisable at a price of \$10.00 \$3.02 per unit. share.

#### *Credit Agreement*

On March 15, 2024, the Company refinanced its revolving credit facility by entering into a second amended and restated revolving credit and term loan facility with PNC Bank, National Association (the “Credit Facility”). The units would be identical to the Placement Units. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. As of December 31, 2022 and 2021, there were no amounts outstanding under the Working Capital Loans.

## **NOTE 6. COMMITMENTS**

### ***Risks and Uncertainties***

Management continues to evaluate the impact of the COVID-19 pandemic and Russia-Ukraine war on the industry and has concluded that while it is reasonably possible that the virus and the war in Ukraine could have a negative effect on the Company’s financial position,

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results of its operations and/or search Credit Facility provides for a target company, the specific impact is not readily determinable as revolving line of the date credit in a principal amount of these financial statements. The financial statements do not include any adjustments that might result from the outcome up to \$80,000,000 and a single draw term loan in a principal amount of these uncertainties, \$25,000,000 and matures in March 2029 (the "Refinancing").

#### Inflation Reduction Act

##### *Acquisition of 2022 Superior Drilling Products, Inc.*

On August 16, 2022 March 6, 2024, the Inflation Reduction Act Company announced its entry into an Agreement and Plan of 2022 Merger (the "IR Act" "SDPI Merger Agreement") was signed into federal law. The IR Act provides for, with Superior Drilling Products, Inc. ("SDPI"), DTI Merger Sub I, Inc. ("Merger Sub I"), and DTI Merger Sub II, LLC ("Merger Sub II"), pursuant to which, among other things, a new U.S. federal 1% excise tax on certain repurchases of stock by publicly traded U.S. domestic corporations and certain U.S. domestic subsidiaries of publicly traded foreign corporations occurring on or after January 1, 2023. The excise tax is imposed on the repurchasing corporation itself, not its shareholders from which shares are repurchased. The amount of the excise tax is generally 1% of the fair market value of the shares repurchased at the time of the repurchase. However, for purposes of calculating the excise tax, repurchasing corporations are permitted to net the fair market value of certain new stock issuances against the fair market value of stock repurchases during the same taxable year. In addition, certain exceptions apply to the excise tax. The U.S. Department of the Treasury (the "Treasury") has been given authority to provide regulations terms and other guidance to carry out and prevent the abuse or avoidance of the excise tax.

Any redemption or other repurchase that occurs after December 31, 2022, in connection with a Business Combination, extension vote or otherwise, may be subject to the excise tax. Whether conditions set forth in the SDPI Merger Agreement, (i) Merger Sub I will be merged with and to what extent into SDPI (the "First Event"), with SDPI continuing as the Company would surviving corporation (the "Initial Surviving Corporation"), (ii) the Initial Surviving Corporation will be subject to the excise tax in connection merged with a Business Combination, extension vote or otherwise would depend on a number of factors, including (i) the fair market value of the redemptions Merger Sub II (the "Second Event," and repurchases in connection together with the Business Combination,

extension or otherwise, (ii) First Event, the structure of a Business Combination, “SDPI Merger”), with Merger Sub II continuing as the surviving limited liability company (the “Surviving Company”), and (iii) the nature and amount of any “PIPE” or other equity issuances in connection with a Business Combination (or otherwise issued not in connection with a Business Combination but issued within the same taxable year of a Business Combination) and (iv) the content of regulations and other guidance from the Treasury. In addition, because the excise tax would be payable by the Company and not by the redeeming holder, the mechanics of any required payment of the excise tax have not been determined. The foregoing could cause a reduction in the cash available on hand to complete a Business Combination and in the Company's ability to complete a Business Combination.

### **Registration Rights**

Pursuant to a registration rights agreement entered into on December 1, 2021, the holders of the Founder Shares, Representative Shares, Placement Units (including securities contained therein) and units (including securities contained therein) that may be issued upon conversion of Working Capital Loans, and any shares of common stock (and underlying common stock) are entitled to registration rights. The holders of a majority of these securities are entitled to make up to two demands that the Company register such securities. Notwithstanding anything to the contrary, the underwriters may only make a demand on one occasion and only during the 5-year period beginning on the effective date of the registration statement of which the Initial Public Offering forms a part. The holders of the majority of the founder shares can elect to exercise these registration rights at any time commencing three months prior to the date on which these shares of common stock are to be released from escrow. The holders of a majority of the units or shares issued in payment of working capital loans made to us can elect to exercise these registration rights at any time after we consummate a business combination. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the Company's consummation of initial business combination provided, however, that the underwriters may participate in a “piggy-back” registration only during the 7-year period beginning on the effective date of the registration statement of which the Initial Public Offering forms a part. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

### **Underwriting Agreement**

The Company had granted the underwriters a 45-day option from the date of Initial Public Offering to purchase up to 2,700,000 additional Units to cover over-allotments, if any, at the Initial Public Offering price less the underwriting discounts and commissions.

On December 9, 2021, the underwriter's elected to fully exercise the over-allotment option to purchase an additional 2,700,000 Public Shares at a price of \$10.00 per Public Share.

### ***Representative Shares***

The Company had issued to EarlyBirdCapital, the underwriter, 180,000 representative founder (the "Representative Shares") shares for nominal consideration, subsequently paid in October 2021. The holders of the Representative Shares have agreed not to transfer, assign

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or sell any such shares without the Company's prior consent until 30 days after the completion of the Business Combination. In addition, the holders of the Representative Shares have agreed (i) to waive their redemption rights (or right to participate in any tender offer) with respect to such shares in connection with the completion of the Business Combination and (ii) to waive their rights to liquidating distributions from the Trust Account with respect to such shares if the Company fails to complete the Business Combination within the Combination Period.

The Representative Shares have been deemed compensation by FINRA and are therefore subject to a lock-up for a period of 180 days immediately following the date of the effectiveness of the registration statement of which the Initial Public Offering forms a part pursuant to Rule 5110(e)(1) of the FINRA Manual. Pursuant to FINRA Rule 5110(e)(1), these securities will not be sold during the offering, or sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the economic disposition of the securities by any person for a period of

180 days immediately following the effective date of the registration statement, except to any underwriter and selected dealer participating in the offering and their bona fide officers or partners, provided that all securities so transferred remain subject to the lockup restriction above for the remainder of the time period.

The Company have granted the holders of these shares the registration rights. In compliance with FINRA Rule 5110(g)(8), the registration rights granted to the underwriters are limited to demand and "piggy back" rights for periods of five and seven years, respectively, from the effective date of the Initial Public Offering with respect to the registration under the Securities Act and demand rights may only be exercised on one occasion.

#### ***Business Combination Marketing Agreement***

The Company engaged EarlyBirdCapital as an advisor in connection with the Business Combination to assist in holding meetings with the stockholders to discuss the potential Business Combination and the target business' attributes, introduce the Company to potential investors that are interested in purchasing securities in connection with the Business Combination, assist in obtaining stockholder approval for the Business Combination and assist with press releases and public filings in connection with the Business Combination. The Company will pay EarlyBirdCapital a cash fee for such services upon the consummation of the Business Combination in an amount equal to 3.5% SDPI Merger, all of the gross proceeds property, rights, powers, privileges, and franchises of SDPI, the Initial Surviving Company, and the Surviving Company shall be vested in the Surviving Company as a wholly owned subsidiary of the Initial Public Offering (exclusive of any applicable finders' fees which might become payable). In addition, the Company will pay EarlyBirdCapital a cash fee in an amount equal to 1.0% of the total consideration payable to the target in the Business Combination if EarlyBirdCapital introduces the target business with whom the Company completes the Business Combination; provided that the foregoing fee will not be paid prior to the date that is 60 days from the effective date of the registration statement, unless such payment would not be deemed underwriters' compensation in connection with the Initial Public Offering pursuant to FINRA Rule 5110.

In connection with the Merger Agreement on February 13, 2023, the Company has amended EarlyBirdCapital's fees under the Business Combination Marketing Agreement from (i) 3.5% of the total gross proceeds raised in the initial public offering and (ii) 1% of the total

consideration of an initial business combination transaction to a flat cash fee of \$2,000,000 (See Note 10). Company.

#### NOTE 7. STOCKHOLDERS' (DEFICIT) EQUITY

**Preferred Stock** — The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. At December 31, 2022 and 2021, there were no shares of preferred stock issued or outstanding.

**Common Stock** — The Company is authorized to issue 100,000,000 shares of common stock with a par value of \$0.0001 per share. Holders of common stock are entitled to one vote for each share. At December 31, 2022 and 2021, there were 6,151,000 shares of common stock issued and outstanding, excluding 20,700,000 shares subject to redemption, of which an aggregate of 675,000 shares are no longer subject to forfeiture due to the underwriters' over-allotment option being fully exercised, so that the number of shares of common stock will equal 20% of the Company's issued and outstanding common stock after the Initial Public Offering (assuming the Sponsor does not purchase any Public Shares in the Initial Public Offering and excluding the Representative Shares and Private Shares).

Holders of record of the Company's common stock are entitled to one vote for each share held on all matters to be voted on by stockholders. In connection with any vote held to approve the Company's initial business combination, the insiders, officers and directors, have agreed to vote their respective shares of common stock owned by them immediately prior to this offering, including both

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the founder shares and the Private Shares, and any shares acquired in this offering or following this offering in the open market, in favor of the Initial business combination.

The Company will consummate the Business Combination only if Public Stockholders do not exercise redemption rights in an amount that would cause the net tangible assets to be less than \$5,000,001 either immediately prior to or upon consummation of the Business Combination and after payment SDPI Merger is subject to certain customary mutual conditions, including the approval of underwriters' fees and commissions and SDPI's shareholders holding at least a majority of the outstanding shares of SDPI common stock voted are voted in favor of the Business Combination.

Pursuant entitled to the Certificate of Incorporation, if the Company does not consummate the Business Combination within the Combination Period, it will (i) cease all operations except for the purpose of winding up, (ii) as promptly as reasonably possible but not more than ten business days thereafter, redeem 100% of the outstanding Public Shares, which redemption will completely extinguish Public Stockholders' rights as stockholders (including the right to receive further liquidation distributions, if any), subject to applicable law, and (iii) as promptly as reasonably possible following such redemption, subject to the approval of the remaining stockholders and the board of directors, dissolve and liquidate, subject (in the case of (ii) and (iii) above) to the Company's obligations under Delaware law to provide for claims of creditors and the requirements of other applicable law. The Company's insiders have agreed to waive their rights to share in any distribution with respect to their Founder Shares and Private Shares.

The stockholders have no redemption, pre-emptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the shares of common stock, except that Public Stockholders have the right to sell their shares to the Company in any tender offer or have their shares of common stock redeemed to cash equal to their pro rata share of the Trust Account if they vote on the proposed Business Combination and the Business Combination is completed. If the Company hold a stockholder vote to amend any provisions adoption of the Certificate of Incorporation relating to stockholder's rights or pre-Business Combination activity (including the substance or timing within SDPI Merger Agreement. The initial accounting for this business combination is in process which the Company has to complete includes conducting a Business Combination), the Company will provide the Public Stockholders with the opportunity to redeem their shares of common stock upon approval of

any such amendment at a per-share price, payable in cash, equal to the aggregate amount then on deposit in the Trust Account, including interest earned on the funds held in the Trust Account and not previously released to the Company to pay the franchise and income taxes, divided by the number of then outstanding Public Shares, in connection with any such vote. In either of such events, redeeming stockholders would be paid their pro rata portion of the Trust Account promptly following consummation of the Business Combination or the approval of the amendment to the Certificate of Incorporation. If the Business Combination is not consummated or the amendment is not approved, stockholders will not be paid such amounts.

**Rights** — Each holder of a right will receive one-tenth (1/10) of one share of common stock upon consummation of a Business Combination, even if the holder of such right redeemed all shares held by it in connection with a Business Combination. No fractional shares will be issued upon exchange of the rights. No additional consideration will be required to be paid by a holder of rights in order to receive its additional shares upon consummation of a Business Combination as the consideration related thereto has been included in the Unit purchase price paid for by investors in the Initial Public Offering. If the Company enters into a definitive agreement for a Business Combination in which the Company will not be the surviving entity, the definitive agreement will provide for the holders of rights to receive the same per share consideration the holders of the common stock will receive in the transaction on an as-converted into common stock basis, and each holder of a right will be required to affirmatively convert its rights in order to receive the 1/10 of a share underlying each right (without paying any additional consideration) upon consummation of the Business Combination. The shares issuable upon exchange of the rights will be freely tradable (except to the extent held by affiliates of the Company).

If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of rights will not receive any of such funds with respect to their rights, nor will they receive any distribution from the Company's assets held outside of the Trust Account with respect to such rights, and the rights will expire worthless. Further, there are no contractual penalties for failure to deliver securities to the holders of the rights upon consummation of a Business Combination. Additionally, in no event will the Company be required to net cash settle the rights. Accordingly, the rights may expire worthless.



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**NOTE 8. INCOME TAX**

The Company did not have any significant deferred tax assets or liabilities as of December 31, 2022 and 2021.

The Company's net deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deferred tax asset		
Net operating loss carryforward	\$ —	\$ 10,390
Organizational costs/Startup expenses	265,273	39,040
Unrealized gain/loss	(91,572)	—
Total deferred tax asset	173,701	49,430
Valuation allowance	(265,273)	(49,430)
Deferred tax asset, net of allowance	\$ (91,572)	\$ —

The income tax provision consists of the following:

	December 31, 2022	December 31, 2021
Federal		
Current	\$ 454,473	\$ —
Deferred	(124,271)	(49,430)
State		
Current	\$ —	\$ —
Deferred	—	—
Change in valuation allowance	215,843	49,430
Income tax provision	\$ 546,045	\$ —

As of December 31, 2022 and 2021, the Company has \$0 and \$49,477 of U.S. federal and state net operating loss carryovers available to offset future taxable income.

In assessing the realization of the deferred tax assets, management considers whether it is more likely than not that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. After consideration of all of the information available, management believes that significant uncertainty exists with respect to future realization of the deferred tax assets and has therefore established a full valuation allowance. For the year ended December 31, 2022 and for the period from September 2, 2021 (inception) through December 31, 2021, the change in the valuation allowance was \$215,843 and \$49,430, respectively.

A reconciliation of the federal income tax rate to the Company's effective tax rate at December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Statutory federal income tax rate	21.0 %	21.0 %
State taxes, net of federal tax benefit	0.0 %	0.0 %
Change in valuation allowance	13.8 %	(21.0)%
Income tax provision	34.8 %	— %

The Company files income tax returns in the U.S. federal jurisdiction in various state and local jurisdictions and is subject to examination by the various taxing authorities.

## NOTE 9. FAIR VALUE MEASUREMENTS

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order analysis to value the assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

The Company classifies its U.S. Treasury and equivalent securities liabilities assumed as held-to-maturity in accordance with ASC Topic 320, "Investments - Debt and Equity Securities." Held to maturity securities are those securities which a result of the Company has transaction. As such, the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost impact on the accompanying balance sheets consolidated financial statements cannot be estimated at this time.

**Item 9. Changes in and adjusted Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

*Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15 under the Exchange Act, management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures in effect as of December 31, 2023, the end of the period covered by this Report, using the Internal Control Integrated Framework ("ICIF") by COSO. Management selected the ICIF framework for its evaluation as it is a control framework recognized by the SEC and the Public Company Accounting Oversight Board that is free from bias, permits reasonably consistent qualitative and quantitative measurement of our internal controls, is sufficiently complete so that relevant controls are not omitted and is relevant to an evaluation of internal controls over financial reporting. As a result of management's evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2023, or as of the date of the filing of this Report.

Our disclosure controls and procedures were not effective as of December 31, 2023, or as of the date of filing of this Report, because all findings in connection with our preparation and the audit of our consolidated financial statements as of and for the amortization or accretion of premiums or discounts.

At year ended December 31, 2022, assets held have not been fully remediated despite ongoing projects and improvements made in the Trust Account current quarter. As a result, we were comprised not able to rely upon the disclosure controls and procedures that were in place as of \$543,817 December 31, 2023, or as of the date of this filing, and we continue to have a material weakness in mutual funds our internal control over financial reporting. This material weakness is described in more detail below.

Prior to the Merger, we had been a private company with limited accounting personnel and \$212,931,355 in U.S. Treasury securities. During other resources with which to address our internal control over financial reporting. In connection with our preparation and the audit of our consolidated financial statements as of and for the year ended December 31, 2022, we identified the Company withdraw \$525,351 of interest income from the Trust Account for tax obligations.

At December 31, 2021, assets held following deficiencies in the Trust Account were comprised design or operation of \$5,427 our internal controls to be a material weakness:

- Failure to promote effective internal control over financial reporting throughout the Company's management structure;
- Failure to develop effective risk assessment controls to identify financial reporting risks and reacting to changes in cash the operating environment that could have a material effect on financial reporting;
- Ineffective monitoring activities to assess the operation of internal control over financial reporting; and \$209,081,449
- Inadequate documentation and monitoring of information technology ("IT") general controls and cyber-security processes within the Company's IT environment, including access controls and segregation of duties between key IT functions.

#### *Implementation of Controls:*

We are in U.S. Treasury securities. the process of implementing a risk assessment process and measures designed to improve our internal control over financial reporting and remediate the control deficiencies that led to the material weakness. We have undertaken the following initiatives:

- *Training and awareness* - hiring more qualified staff and increasing resources with sufficient knowledge and experience to strengthen financial reporting.
- *IT systems and security* - implementing software and procedures to enhance our Company's IT environment.
- *Risk assessment and evaluation* - devoting proper time by senior management to perform comprehensive review of procedures to assess risks and enforce effective accountability. Additionally, during the fiscal year, we engaged the services of an external specialist with expertise in internal controls and financial reporting. The external specialist was engaged to assist in the implementation and enhancement of our internal controls and to provide additional expertise to ensure the effectiveness of our control environment. The engagement with the external specialist included a comprehensive review of our existing controls, identification of areas for improvement, and the development of recommendations for strengthening our controls framework.
- *Segregation of duties* - continued efforts to strengthen segregation of duties to prevent and detect errors or fraud in financial reporting processes.

#### *Ongoing Improvement Efforts*

Recognizing the dynamic nature of our business environment, we are dedicated to ongoing improvement in our internal control framework.

Future steps include:

- *Periodic Assessments* -conducting periodic assessments to validate the effectiveness of our internal control framework.
- *Process Optimization* - identifying and implementing opportunities for process optimization to enhance the overall efficiency and effectiveness of internal controls.

The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is

adequate to satisfy our reporting obligations as a public company. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

#### *Changes in Internal Control over Financial Reporting*

During the year ended December 31, 2021, most recently completed fiscal quarter, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Company did not withdraw any interest income from the Trust Account. The following table presents information about the Company's assets Exchange Act) that are measured at fair value on a recurring basis at December 31, 2022 and 2021 and indicates the fair value hierarchy of the valuation inputs the Company utilized has materially affected, or is reasonably likely to determine such fair value. The gross holding gains and fair value of held-to-maturity securities at December 31, 2022 and 2021 are as follows:

			Amortized	Gross	
	Held-To-Maturity	Level	Cost	Holding	Fair Valu
				Gain	
December					
31, 2022	U.S. Treasury Securities (Mature on 3/14/2023)	1	\$212,931,355	\$ 6,119	\$212,937,
December					
31, 2021	U.S. Treasury Securities (Mature on 6/9/2022)	1	\$209,081,449	\$13,137	\$209,094,!

#### **Item 9B. Other Information.**

Not applicable.

#### **NOTE Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## PART III

### **Item 10. SUBSEQUENT EVENTS Directors, Executive Officers and Corporate Governance.**

The Company evaluated subsequent events information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

### **Item 11. Executive Compensation.**

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

### **Item 12. Security Ownership of Certain Beneficial Owners and transactions that occurred after Management and Related Stockholder Matters.**

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

### **Item 14. Principal Accounting Fees and Services.**

The information required by this item (and only such information) is incorporated by reference to our Proxy Statement.

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## PART IV

### **Item 15. Exhibits, Financial Statement Schedules.**

#### **(1) Financial Statement**



The consolidated financial statements of Drilling Tools International Corporation and the balance sheet date up Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. Of this Annual Report. Reference is made to the date that accompanying Index to Consolidated Financial Statements.

## (2) Financial Statement Schedules

All financial statement schedules have been omitted because they are not applicable or the required information presented in the financial statements were issued. Based upon this review, other than or the below, the Company did not identify any subsequent events that would have notes thereto.

## (3) Index to Exhibits

The exhibits required adjustment to be filed or disclosure in the financial statements.

On January 16, 2023, the Company issued a promissory note (the "Working Capital Loan") in the principal amount of up \$800,000 to an affiliate of the Company's Sponsor (the "Payee"), for working capital. The Working Capital Loan bears no interest and is due and payable upon the earlier to occur of (i) the date on which the Company's initial business combination is consummated and (ii) the liquidation of the Company on or before March 6, 2023 (unless extended to June 6, 2023) or such later liquidation date as may be approved by the Company's stockholders. At the election of the Payee, the unpaid principal amount of the Working Capital Loan may be converted into units of the Company (the "Conversion Units") with the total Conversion Units so issued will be equal to: (x) the

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portion of the principal amount of the Working Capital Loan being converted divided by (y) the conversion price of ten dollars (\$10.00), rounded up to the nearest whole number of units.

## **Merger Agreement**

On February 13, 2023, the Company (after the Effective Time, “PubCo”) entered into an agreement and plan of merger (as it may be amended, supplemented or otherwise modified from time to time, the “Merger Agreement”) with ROC Merger Sub, Inc., a Delaware corporation and a direct, wholly owned subsidiary of the Company (“Merger Sub”), and Drilling Tools International Holdings, Inc., a Delaware corporation (“Drilling Tools”). Pursuant to the terms of the Merger Agreement, a business combination between the Company and Drilling Tools will be effected through the merger of Merger Sub with and into Drilling Tools, with Drilling Tools surviving the merger as a wholly owned subsidiary of PubCo (the “Merger,” and together with the other transactions contemplated by the Merger Agreement and the other agreements contemplated thereby, the “Transactions”). The board of directors of the Company unanimously (i) approved and declared advisable the Merger Agreement and the Transactions and (ii) resolved to recommend the approval and adoption of the Merger Agreement and the Transactions by the stockholders of the Company.

## **Support Agreements**

In connection with the execution of the Merger Agreement, the Sponsor, entered into a support agreement with Drilling Tools and the Company (the “Sponsor Support Agreement”) furnished pursuant to which the Sponsor has agreed to vote all Subject Shares (as therein defined) beneficially owned by it in favor [Item 601](#) of the Merger. Further, pursuant to the Sponsor Support Agreement, in order to induce Drilling Tools to enter into the Merger Agreement, the Sponsor agrees to forfeit up to 50% of the Founder Shares (as therein defined) to the Company for reissuance to investors in connection with the Equity Financing and (b) to split the remainder of the Founder Shares with Drilling Tools stockholders as [Regulation S-K](#) are set forth in the Sponsor Support Agreement.

## **Amended and Restated Registration Rights Agreement [below](#).**

In connection with the Transactions, the Company and certain stockholders of each of the Company and Drilling Tools who will receive PubCo Common Stock pursuant to the Merger Agreement have entered into an amended and restated registration rights agreement (“Registration Rights Agreement”), to become effective upon the Closing.

## **Lock-up Agreement and Arrangements**

Prior to the consummation of the Transactions, certain Drilling Tools stockholders, including all existing stockholders of Drilling Tools holding greater than 5% of its share capital, will enter into a lock-up agreement (the “Drilling Tools Stockholder Lock-up Agreement”) with the Company. In addition, the Company and Sponsor

intend to undertake an amendment and restatement to the Stock Escrow Agreement, dated December 1, 2021, by and among the Company, Sponsor and the escrow agent named therein (the “Escrow Agreement” and, when amended and restated, the “Amended and Restated Escrow Agreement”) to align Sponsor’s restrictions on transfer with respect to all shares of Common Stock it owns (which will be PubCo Common Stock after the Closing), including the Founder Shares, to those described below. Under the terms of the Drilling Tools Stockholder Lock-up Agreement, and under the terms of the Sponsor lock-up provisions to be contained in the Amended and Restated Escrow Agreement, such Drilling Tools stockholders and Sponsor, will each agree, subject to certain customary exceptions, that during the period that is the earlier of (i) the date that is 180 days following the Closing Date, and (ii) the date specified in a written waiver of the provisions of the Drilling Tools Stockholder Lock-up Agreement duly executed by Sponsor and the Company, not to offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Lock-up Shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares (whether any of these transactions are to be settled by delivery of any such Lock-up Shares, in cash or otherwise), publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, or engage in any “short sales” as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, or any type of direct and indirect stock pledges, forward sale contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis), or sales or other transactions through non-US broker dealers or foreign regulated brokers. As used herein, “Lock-up Shares” means, (a) in the case of Drilling Tools Stockholders, those shares of PubCo Common Stock received by such Drilling Tools stockholder (the “Holder”) as merger consideration in the Transactions and beneficially owned by such Drilling Tools Stockholder as specified on the signature block of the Drilling Tools Stockholder Lock-up Agreement, and (b) in the case of Sponsor, the Escrow Shares (as defined in the Escrow Agreement).

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#### **Director Nomination Agreement**

In connection with the Closing, the Company and the Sponsor will enter into a director nomination agreement (the “**Director Nomination Agreement**”) pursuant to which PubCo agrees to nominate an individual designated by the Sponsor to serve on the board of directors of the PubCo as a Class III director of PubCo, effective as of immediately after the Effective Time.

The foregoing descriptions of agreements and the transactions and documents contemplated thereby are not complete and are subject to and qualified in their entirety by reference to the Merger Agreement, Sponsor Support Agreement, Drilling Tools Stockholder Support Agreement, Registration Rights Agreement, Drilling Tools Stockholder Lock-up Agreement and Director Nomination Agreement, copies of which are filed with this Current Report on Form 8-K filed on February 14, 2023.

#### **Second Extension**

On March 3, 2023, the Company extended the date by which the Company has to consummate a business combination from March 6, 2023 to June 6, 2023 (the “**Second Extension**”). The Second Extension is the second of two three-month extensions permitted under the Company’s governing documents. On March 2, 2023, the Company issued a promissory note in the principal amount of \$2,070,000 (the “**Second Extension Payment**”) to an affiliate of the Company’s Sponsor in connection with the Second Extension. In connection with the Second Extension, the Sponsor has notified the Company that the Second Extension Payment (representing \$0.10 per public share) was deposited into the Company’s trust account on March 6, 2023.

#### **Amendment to the Business Combination Marketing Agreement**

In connection with the Merger Agreement on February 13, 2023, the Company has amended EarlyBirdCapital’s fees under the Business Combination Marketing Agreement (See Note 6).

#### **Exhibit Index**

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### EXHIBIT INDEX

Exhibit No.	
Number	Description
1.12.1†	<a href="#">Underwriting Agreement, dated December 1, 2021, by and between the Company and EarlyBirdCapital, Inc., as representative of the several underwriters. (3)</a>
1.2	<a href="#">Business Combination Marketing Agreement, dated December 1, 2021, by and between the Company and EarlyBirdCapital, Inc. (3)</a>
2.1	<a href="#">Agreement and Plan of Merger, dated as of February 13, 2023, by and among the Company, ROC Energy Acquisition Corp., ROC Merger Sub, Inc. and Drilling Tools International (7) Holdings, Inc. (incorporated by reference to Exhibit 2.1 to ROC Energy Acquisition Corp.'s Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on February 13, 2023).</a>
3.12.2	<a href="#">First Amendment to the Agreement and Plan of Merger, by and among ROC Energy Acquisition Corp., ROC Merger Sub, Inc. and Drilling Tools International Holdings, Inc. (incorporated by reference to Exhibit 2.1 to ROC Energy Acquisition Corp.'s Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 9, 2023).</a>
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation of Drilling Tools International Corporation (incorporated by reference to Exhibit 3.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).</a>
3.2	<a href="#">Amended and Restated Certificate Bylaws of Incorporation. (3) Drilling Tools International Corporation (incorporated by reference to Exhibit 3.2 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).</a>
3.24.1	<a href="#">Bylaws (1) Form of Specimen Common Stock Certificate of Drilling Tools International Corporation (incorporated by reference to Exhibit 4.1 to Drilling Tools International Corporation's Current Report on Form 8-K (File No. 001-41103), filed with the Securities and Exchange Commission on June 27, 2023).</a>
4.14.2*	<a href="#">Specimen Unit Certificate. (2)</a>
4.2	<a href="#">Specimen Common Stock Certificate. (2)</a>
4.3	<a href="#">Specimen Rights Certificate. (2)</a>
4.4	<a href="#">Rights Agreement, dated December 1, 2021, by and between the Company and Continental Stock Transfer &amp; Trust Company, as rights agent. (5)</a>
4.5	<a href="#">Description of Registered Securities. (4) the Registrant's Securities</a>

- 10.1 [Letter Agreement, dated December 1, 2021, by and among the Company, its officers, its directors, and the Sponsor. \(3\)](#)
- 10.2 [Investment Management Trust Agreement, dated December 1, 2021, by and between the Company and Continental Stock Transfer & Trust Company, as trustee. \(3\)](#)
- 10.3 [Stock Escrow Agreement, dated December 1, 2021, by and between the Company, the Sponsor and Continental Stock Transfer & Trust Company, as escrow agent. \(3\)](#)
- 10.4 [Registration Rights Agreement, dated December 1, 2021, by and among the Company and certain security holders. \(3\)](#)
- 10.5 [Securities Subscription Agreement, dated as of September 2, 2021 between the Registrant and ROC Energy Holdings, LLC. \(1\)](#)
- 10.6 [Form of Indemnity Agreement. \(2\) Subscription Agreement \(incorporated by reference to Exhibit 10.13 to ROC Energy Acquisition Corp.'s Registration Statement on Form S-4 \(File No. 333-269763\), filed with the Securities and Exchange Commission on April 21, 2023\).](#)
- 10.710.2 [Administrative Support Form of Amendment to the Subscription Agreement dated December 1, 2021 \(incorporated by reference to Exhibit 10.2 to Drilling Tools International Corporation's Current Report on Form 8-K \(File No. 001-41103\), by filed with the Securities and between the Company and Fifth Partners, LLC. \(3\) Exchange Commission on June 27, 2023\).](#)
- 10.810.3 [Private Placement Units Purchase Form of Exchange Agreement dated December 1, 2021 \(incorporated by reference to Exhibit 10.3 to Drilling Tools International Corporation's Current Report on Form 8-K \(File No. 001-41103\), by filed with the Securities and between the Company and the Sponsor. \(3\) Exchange Commission on June 27, 2023\).](#)
- 10.910.4† [Promissory Note, Amended and Restated Revolving Credit, Term Loan and Security Agreement, dated September 2, 2021 as of June 20, 2023, issued by and among Drilling Tools International, Inc., certain of its subsidiaries and PNC Bank, National Association \(incorporated by reference to ROC Energy Holdings, LLC. \(1\) Exhibit 10.5 to Drilling Tools International Corporation's Current Report on Form 8-K \(File No. 001-41103\), filed with the Securities and Exchange Commission on June 27, 2023\).](#)
- 10.1010.5 [Promissory Note, dated December 6, 2022 Form of Lock-up Agreement \(incorporated by reference to Exhibit 10.12 to ROC Energy Acquisition Corp.'s Registration Statement on Form S-4 \(File No. 333-269763\), issued to FP SPAC 2, LLC, a Delaware limited liability company. \(5\) filed with the Securities and Exchange Commission on February 14, 2023\).](#)
- 10.1110.6 [Promissory Note, dated January 16, 2023 Form of Indemnification Agreement \(incorporated by reference to Exhibit 10.7 to Drilling Tools International Corporation's Current Report on Form 8-K \(File No. 001-41103\), issued to FP SPAC 2, LLC, a Delaware limited liability company. \(6\) filed with the Securities and Exchange Commission on June 27, 2023\).](#)

- 10.1210.7 [Promissory Note, dated March 2, 2023, issued to FP SPAC 2, LLC, a Delaware limited liability company. \(10\)](#)
- 10.13 [Sponsor Support Agreement, dated February 13, 2023, by and among the Company, ROC Energy Holdings, LLC and Drilling Tools International Holdings, Inc. \(7\)](#)
- 10.14 [Company Stockholder Support Agreement, dated February 13, 2023, by and among the Company, Drilling Tools International Holdings, Inc., and certain stockholders of Drilling Tools International Holdings, Inc. \(7\)](#)
- 10.15 [Amended and Restated Registration Rights Agreement, dated as of February 13, 2023, between ROC Energy Acquisition Corp., ROC Energy Holdings, LLC, EarlyBird Capital, Inc., HHEP Directional, L.P., RobJon Holdings, L.P. and Michael W. Domino, Jr. \(incorporated by reference to Exhibit 10.18 to ROC Energy Acquisition Corp.'s Registration Statement on Form S 4 \(File No. 333-269763\), filed with the Securities and among Exchange Commission on February 14, 2023\).](#)
- 10.8# [Form of 2023 Omnibus Incentive Plan \(incorporated by reference to Exhibit 10.1 to ROC Energy Acquisition Corp.'s Registration Statement on Form S-4 \(File No. 333-269763\), filed with the Company, certain stockholders Securities and Exchange Commission on February 14, 2023\).](#)
- 10.9 [Assignment and Assumption Agreement, dated as of the Company, and certain stockholders of June 20, 2023, between Drilling Tools International Holdings, Inc. \(7\) and Drilling Tools International Corporation \(incorporated by reference](#)

[to Exhibit 10.13 to Drilling Tools International Corporation's Registration Statement on Form S-1 \(File No. 333-273348\), filed with the Securities and Exchange Commission on July 20, 2023\).](#)

- 10.1621.1 [Subsidiaries of the Registrant \(incorporated by reference to Exhibit 21.1 to Drilling Tools International Corporation's Current Report on Form of Company Stockholder Lock-up Agreement. \(8\) 8-K \(File No. 001-41103\), filed with the Securities and Exchange Commission on June 27, 2023\).](#)
- 10.1723.1 [Form Consent of Director Nomination Agreement. \(9\) Independent Registered](#)
- \* [Public Accounting Firm.](#)
- 31.124.1 [Power of Attorney \(included on signature page hereto\).](#)

31.1*	<a href="#">Certification of the Principal Chief Executive Officer pursuant to Rule 13a-14(a) 13a-14a and Rule 15d-14(a) under of the Securities and Exchange Act, of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* amended.</a>
31.231.2*	<a href="#">Certification of the Principal Chief Financial Officer pursuant to Rule 13a-14(a) 13a-14a and Rule 15d-14(a) under of the Securities and Exchange Act, of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.* amended.</a>
32.132.1*	<a href="#">Certification of the Principal Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>
32.232.2*	<a href="#">Certification of the Principal Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section Schedule 906 of the Sarbanes-Oxley Act of 2002.** 2002.</a>
97.1*	<a href="#">DTI Clawback Policy - 8398475</a>
101.INS1	Inline XBRL Instance Document.* Document-the instance document does not
01.INS*	appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document.* With Embedded Linkbase
101.SCH*	Documents
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.*
101.DEF104*	Inline XBRL Taxonomy Extension Definition Linkbase Document.*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.*
104	Cover Page Interactive Data File (Embedded page formatted as Inline XBRL document and contained in Exhibit 101).*

\* Filed herewith.

\*\* Furnished herewith

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- (1) Incorporated by reference to the Company's Registration Statement on Form S-1, filed with the SEC on November 9, 2021.
- (2) Incorporated by reference to the Company's Registration Statement on Form S-1/A, filed with the SEC on November 15, 2021.



- (3) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on December 7, 2021.
- (4) Incorporated by reference to the Company's Annual Report on Form 10-K, filed with the SEC on March 24, 2022.
- (5) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on December 12, 2022.
- (6) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on January 20, 2023.
- (7) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on February 14, 2023.
- (8) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on February 14, 2023 (included in Exhibit G of Exhibit 2.1 thereto).
- (9) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on February 14, 2023 (included in Exhibit F of Exhibit 2.1 thereto).
- (10) Incorporated by reference to the Company's Current Report on Form 8-K, filed with the SEC on March 7, 2023.

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\* Filed herewith.

† Certain exhibits and schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). We agree to furnish supplementally a copy of all omitted exhibits and schedules to the SEC upon its request.

# Indicates management contract or compensatory plan or arrangement..

**Item 16. Form 10-K Summary.**

None.

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**SIGNATURES**

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. authorized.

March 20, 2023

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/s/

Daniel

Jeffery

By Kimes

Daniel

Jeffrey

NaKimes

TitlChief

Executive

OfficerCompany

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Name

(Principal Executive Officer)

Date: March 28, 2024

By: /s/ R. Wayne Prejean

R. Wayne Prejean

President, CEO, and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints, jointly and severally, R. Wayne Prejean, as his attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments), and any and all registration statements filed pursuant to Rule 462 under the Securities Act of 1933, as amended, in connection with or related to the offering contemplated by this registration statement and its amendments, if any, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorney to any and all amendments to said registration statement. Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the registrant and Registrant in the capacities and on the dates indicated.

Name	PositionTitle	Date
/s/ Daniel Jeffery Kimes R. Wayne Prejean	Chief Executive OfficerPresident, CEO, and Director	March 20, 2023 28, 2024
Daniel Jeffrey KimesR. Wayne Prejean	(Principal (Principal Executive Officer)	
/s/ Joseph Drysdale David R. Johnson	Chairman of the Board Chief Financial Officer	March 20, 2023 28, 2024

Joseph Drysdale

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/s/ Rosemarie Cicalese

Chief Financial Officer

March 20, 2023

Rosemarie Cicalese

(Principal Financial and Accounting  
Officer)

/s/ Brian Minnehan Thomas O.

March 20, 2023 28,

Hicks

Director Chairman of the Board

2024

Brian Minnehan Thomas O. Hicks

March 20,

/s/ Alberto Pontonio Eric C.

2023 March 28,

Neuman

Director

2024

Alberto Pontonio Eric C. Neuman

March 20,

/s/ Lee Canaan John D. Furst

Director

2023 March 28,

2024

Lee Canaan John D. Furst

March 20,

/s/ Win Graham C. Richard

2023 March 28,

Vermillion

Director

2024

Win Graham C. Richard Vermillion

March 20,

/s/ Joseph Colonna Curtis L.

2023 March 28,

Crofford

Director

2024

Joseph Colonna Curtis L. Crofford

/s/ Thomas M. Patterson

Director

March 28, 2024

Thomas M. Patterson

**Exhibit 31.1****CERTIFICATION DESCRIPTION OF THE REGISTRANT'S SECURITIES  
PRINCIPAL EXECUTIVE OFFICER****REGISTERED PURSUANT TO SECTION 12 OF THE  
RULE 13a-14(a) AND RULE 15d-14(a)  
UNDER THE****SECURITIES EXCHANGE ACT OF 1934**

The following description sets forth certain material terms and provisions of the securities of Drilling Tools International Corporation (the “Company”) that are registered under Section 12 of the Securities Exchange Act of 1934, as amended. This description also summarizes relevant provisions of Delaware law. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of Delaware law and our second amended and restated certificate of incorporation (the “Certificate of Incorporation”) and our amended and restated bylaws (the “Bylaws”), copies of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part. We encourage you to read our certificate of incorporation, our bylaws, and the applicable provisions of Delaware law for additional information.

**Authorized and Outstanding Capital Stock**

Our Certificate of Incorporation authorizes the issuance of 500,000,000 shares of the Common Stock, \$0.0001 par value per share (the “Common Stock”) and 10,000,000 shares of preferred stock, \$0.0001 par value. The outstanding shares of Common Stock are duly authorized, validly issued, fully paid and non-assessable. As of March 28, 2024, there were 29,768,568 shares

of Common Stock issued and outstanding and no shares of preferred stock issued or outstanding.

#### ***Voting Power***

Except as otherwise required by law, our Certificate of Incorporation or as otherwise provided in any certificate of designation for any series of preferred stock, stockholders possess all voting power for the election of directors and all other matters requiring stockholder action. Except as otherwise provided in our Certificate of Incorporation or expressly required by law, stockholders are entitled to one (1) vote per share on matters to be voted on by stockholders.

Except as otherwise required by law, stockholders, as such, are not entitled to vote on any amendment that relates solely to the rights, powers, preferences (or the qualifications, limitations or restrictions thereof) or other terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant our Certificate of Incorporation or pursuant to the Delaware General Corporation Law (the “DGCL”).

#### ***Dividends***

Subject to applicable law and the rights and preferences of any holders of any outstanding series of preferred stock, stockholders, as such, are entitled to the payment of dividends on the Common Stock when, as and if declared by the Board of Directors (the “Board”) in accordance with applicable law.

#### ***Liquidation, Dissolution and Winding Up***

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#### **Exhibit 4.2**

Subject to the rights and preferences of any holders of any shares of any outstanding series of preferred stock, in the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the funds and assets of the Company that may be legally distributed to stockholders will be distributed among the holders of the then outstanding Common

Stock *pro rata* in accordance with the number of shares of Common Stock held by each holder.

#### ***Preemptive or Other Rights***

Subject to the preferential rights of any other class or series of stock, all shares of Common Stock have equal dividend, distribution, liquidation and other rights, and have no preference or appraisal rights, except for any appraisal rights provided by the DGCL. Furthermore, holders of Common Stock have no preemptive rights and there are no conversion, sinking fund or redemption rights, or rights to subscribe for any of our securities. The voting, dividend, liquidation, and other rights and powers of the Common Stock are subject to and qualified by the rights, powers and preferences of any series of preferred stock as may be designated by the Board and outstanding from time to time.

#### ***Election of Directors***

The Board is divided into three classes, each of which generally serves for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

#### ***Preferred Stock***

Our Certificate of Incorporation provides that shares of preferred stock may be issued from time to time in one or more series. The Board is authorized to fix the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of any series of preferred stock, including, without limitation, authority to fix by resolution the dividend rights, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, and liquidation preferences of any such series and the number of shares constituting any such series and the designation thereof, or any of the foregoing. The Board can, without Stockholder approval, issue preferred stock with voting and other rights that could adversely affect the voting power and other rights of the holders of Common Stock and could have anti-takeover effects. The ability of the Board to issue preferred stock without Stockholder approval could have the effect of delaying, deferring or preventing a change of control of us or the removal of existing management.

We have no preferred stock outstanding at the date hereof.

#### ***Transfer Agent***

The transfer agent for the Common Stock is Continental Stock Transfer & Trust Company (“Continental”). We have agreed to indemnify Continental in its role as transfer agent, its agents

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#### Exhibit 4.2

and each of its stockholders, directors, officers and employees against all liabilities, including judgments, costs and reasonable counsel fees that may arise out of acts performed or omitted for its activities in that capacity, except for any liability due to any gross negligence, willful misconduct or bad faith of the indemnified person or entity.

Certain Anti-Takeover Provisions of Delaware Law, our Certificate of Incorporation and Bylaws

#### *Section 203 of the DGCL*

We have not opted out of Section 203 of the DGCL in our Certificate of Incorporation. This statute prevents us, under certain circumstances, from engaging in a “business combination” with:

- a stockholder who owns 10% or more of our outstanding voting stock (otherwise known as an “interested stockholder”);
  - an affiliate of an interested stockholder;
- or
- an associate of an interested stockholder, for three years following the date that the stockholder became an interest stockholder.

A “business combination” includes a merger or sale of more than 10% of our assets. However, the above provisions of Section 203 do not apply if:

- the Board approves the transaction that made the stockholder an “interested stockholder,” prior to the date of the transaction;
- after the completion of the transaction that resulted in the stockholder becoming an interested stockholder, that



stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than statutorily excluded shares of Common Stock; or

- on or subsequent to the date of the transaction, the business combination is approved by the Board and authorized at a meeting of our stockholders, and not by written consent, by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Under certain circumstances, declining to opt out of Section 203 of the DGCL will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with us for a three-year period. This may encourage companies interested in acquiring us to negotiate in advance with the Board because the stockholder approval requirement would be avoided if the Board approves the acquisition which results in the stockholder becoming an interested stockholder. This may also have the effect of preventing changes in the Board and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

#### ***Classified Board of Directors***

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#### **Exhibit 4.2**

Our Certificate of Incorporation provides that the Board is divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with each director serving a three-year term. As a result, approximately one-third of the Board is elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of the Board.

#### ***Authorized but Unissued Shares***

The authorized but unissued shares of Common Stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing standards of the Nasdaq. These additional shares may be

used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of our authorized but unissued and unreserved shares of Common Stock and preferred stock could make it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

#### ***Written Consent by Stockholders***

Under our Certificate of Incorporation, subject to the rights of holders of preferred stock, any action required or permitted to be taken by the stockholders must be effected at an annual or special meeting of stockholders and may not be taken by written consent in lieu of a meeting.

#### ***Special Meeting of Stockholders***

Under our Certificate of Incorporation, subject to the terms of any series of preferred stock, special meetings of stockholders may be called only by the Board, the chairperson of the Board, the Chief Executive Officer, or the President, and may not be called by any other person or persons. Only such business shall be considered at a special meeting of stockholders as shall have been stated in the notice for such meeting.

#### ***Advance Notice Requirements for Stockholder Proposals and Director Nominations***

Under our Certificate of Incorporation, advance notice of Stockholder nominations for the election of directors and of business proposed to be brought by stockholders before any meeting of the stockholders must be given in the manner provided in our Bylaws.

#### ***Amendment of Certificate of Incorporation or Bylaws***

Our Bylaws may be amended or repealed by the Board or by the affirmative vote of the holders of at least 66 2/3% of the total voting power of all of the shares of our capital stock entitled to vote in the election of directors, voting as one class. The affirmative vote of the holders of at least 66 2/3% of the total voting power of all the then outstanding shares of Common Stock entitled to vote thereon, voting together as a single class, is required to amend certain provisions of our Certificate of Incorporation.

#### ***Board Vacancies***

Subject to the special rights of the holders of one or more outstanding series of preferred stock to elect directors, except as otherwise provided by law, any vacancies on the Board and any newly created directorships resulting from any increase in the number of directors are filled exclusively by the affirmative vote of a majority of the directors then in office, even though less than a quorum, or by a sole remaining director (other than any directors elected by the separate vote of one or more outstanding series of preferred stock), and are not filled by the stockholders. Any director appointed in accordance with the preceding sentence holds office until the expiration of the term to which such director shall have been appointed or until his or her earlier death, resignation, retirement, disqualification, or removal.

***Exclusive Forum***

Unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court in Delaware or the federal district court for the District of Delaware) is, to the fullest extent permitted by law, the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, stockholder, officer or other employee of the Company to the Company or stockholders, (c) any action arising pursuant to any provision of the DGCL or our Certificate of Incorporation or Bylaws (as either may be amended from time to time) or (d) any action asserting a claim governed by the internal affairs doctrine, except for, as to each of (a) through (d) above, any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal jurisdiction of such court within 10 days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction.

Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act against any person in connection with any offering of Company securities, including, without limitation and for the avoidance of doubt, any auditor, underwriter, expert, control person, or other defendant.

There is uncertainty as to whether a court would enforce the exclusive forum provision of our Certificate of Incorporation. Holders of Common Stock cannot waive compliance with federal securities laws and the rules and regulations promulgated thereunder. The exclusive forum provision of our Certificate of Incorporation does not apply to actions arising under the Exchange Act.

#### Limitation on Liability and Indemnification of Directors and Officers

Our Certificate of Incorporation provides that our directors and officers will be indemnified and advanced expenses by us to the fullest extent authorized or permitted by the DGCL as it now exists or may in the future be amended. No director or officer of the Company has any personal liability to the Company or its stockholders for monetary damages for any breach of fiduciary duty

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#### Exhibit 4.2

as a director or officer, as applicable, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or hereafter may be amended.

Our Bylaws also permit us to purchase and maintain insurance on behalf of any officer, director, employee or agent of us for any liability arising out of his or her status as such, regardless of whether the DGCL would permit indemnification.

These provisions may discourage stockholders from bringing a lawsuit against our directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholder's investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. We believe that these provisions, the insurance and the indemnity agreements are necessary to attract and retain talented and experienced directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

#### Rule 144

Pursuant to Rule 144, a person who has beneficially owned restricted shares of Common Stock for at least six months would be entitled to sell such shares provided that (a) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale and (b) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale and have filed all required reports under Section 13 or 15(d) of the Exchange Act during the 12 months (or such shorter period as we were required to file reports) preceding the sale.

Persons who have beneficially owned restricted shares of Common Stock for at least six months but who are our affiliates at the time of, or at any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the total number of shares of such securities then-outstanding; or
- the average weekly reported trading volume of such securities during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales by our affiliates under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about us.

## **Restrictions on Use of Rule 144 by Shell Companies or Former Shell Companies**

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### **Exhibit 4.2**

Rule 144 is not available for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. However, Rule 144 also includes an important exception to this prohibition if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;
- the issuer of the securities has filed all Exchange Act reports and materials required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, it is likely that pursuant to Rule 144, our insiders will be able to sell their shares of Common Stock freely without registration one year after the Closing Date assuming they are not an affiliate of ours at that time.

#### **Listing of Securities**

The Common Stock is currently listed on the Nasdaq under the symbol “DTI”.

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**Exhibit 23.1**

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statement on Form S8 No. 333-274242 of Drilling Tools International Corporation of our report dated March 28, 2024, relating to the consolidated financial statements, which appear in this Form 10-K.

/s/ WEAVER AND TIDWELL, L.L.P.

Oklahoma City, Oklahoma

March 28, 2024

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**

**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT  
OF 1934,**

**AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel Jeffrey Kimes, R. Wayne Prejean, certify that:

- (1) I have reviewed this Form 10-K of Drilling Tools International Corporation;
- (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.
1. I have reviewed this Annual Report on Form 10-K of ROC Energy Acquisition Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;



4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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.

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Date: March 20, 2023 March 28, 2024

Daniel Jeffrey Kimes

*(Principal Executive Officer)*

**CERTIFICATION OF THE  
PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
RULE 13a-14(a) AND RULE 15d-14(a)  
UNDER THE  
SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, **Rosemarie Cicalese**, **David R. Johnson**, certify that:

- (1) I have reviewed this Form 10-K of Drilling Tools International Corporation;
- (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.
- 1. I have reviewed this Annual Report on Form 10-K of ROC Energy Acquisition Corp.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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.

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Date: March 20, 2023 March 28,

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Rosemarie Cicalese

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*(Principal Financial Officer)*



Exhibit 32.1

**CERTIFICATION OF THE  
PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Drilling Tools International Corporation (the "Company") on Form 10-K of ROC Energy Acquisition Corp. for the fiscal year ended December 31, 2022 period ending December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: March 28, 2024

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: /s/ R. Wayne Prejean

**R. Wayne Prejean**

**Chief Executive**

**Officer**

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**

In connection with the Annual Report of Drilling Tools International Corporation (the "Company") on Form 10-K for the

year ended December 31, 2021 period ending December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I Daniel Jeffrey Kimes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge: that:

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

2.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

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Date: March 20, 2023 March  
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Chief  
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(Principal  
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Officer)

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Exhibit 32.2

CERTIFICATION OF THE  
PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ROC Energy Acquisition Corp. (the “Company”) for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission (the “Report”), I, Rosemarie Cicalese, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the report.

Date: March 20, 2023

By: /s/ Rosemarie Cicalese

Rosemarie Cicalese

Chief Financial Officer

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Exhibit 97.1

(Principal Financial Officer)

## **Drilling Tools International Corp.**

### **POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

#### **A. OVERVIEW**

In accordance with the applicable rules of The Nasdaq Stock Market LLC, including Nasdaq Rule 5608 (collectively, the “**Nasdaq Rules**”), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) (“**Rule 10D-1**”), the Board of Directors (the “**Board**”) of Drilling Tools International Corp. (the “**Company**”) has adopted this Policy (the “**Policy**”) to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

#### **B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously

Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the “**Committee**”) shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable, including any repayment schedule associated therewith. For the avoidance of doubt, this Policy shall apply to all Executive Officers who received Erroneously Awarded Compensation during the applicable Clawback Period, regardless of whether any particular Executive Officer was or was not responsible for or involved in the preparation of the Company’s financial statements.  
For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
  - (a) The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
  - (b) The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.
- (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in

satisfaction of an Executive Officer's obligations hereunder.

- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations

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Exhibit 97.1

established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

- (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable and either of the following two conditions is met:

- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to Nasdaq; or
- (ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section

411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

**C. DISCLOSURE REQUIREMENTS**

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (“SEC”) filings and rules.

**D. PROHIBITION OF INDEMNIFICATION**

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

**E. ADMINISTRATION AND INTERPRETATION**

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

No recovery hereunder of any Erroneously Awarded Compensation shall constitute an event giving rise to a right for any Executive Officer to resign for “good reason” or “constructive termination” (or similar term) under any plan, agreement, arrangement or contract with the Company or any affiliate thereof. In addition, the Board may require that any employment agreement, equity or equity-based award agreement or other similar agreement entered into on or after the effective date of this Policy shall, as a condition to the grant of any compensation or benefit thereunder, require the applicable Executive Officer to acknowledge and agree to abide by the terms of this Policy.

The Committee is authorized to interpret and construe this Policy and to make all determinations

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Exhibit 97.1



necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

**F. AMENDMENT; TERMINATION; SEVERABILITY**

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rules or Nasdaq Rules.

If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, SEC rules or Nasdaq Rules, such provision shall be applied to the maximum extent permitted thereby and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to confirm to any such limitations.

**G. OTHER RECOVERY RIGHTS**

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award

agreement, compensatory plan, agreement or other arrangement.

#### H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1)“**Accounting Restatement**” means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(2)“**Clawback Eligible Incentive Compensation**” means all Incentive-based Compensation Received by an Executive Officer (i) after beginning service as an Executive Officer, (ii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iii) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (iv) during the applicable Clawback Period (as defined below).

(3)“**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4)“**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

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Exhibit 97.1

(5)“**Executive Officer**” means the Company’s current or former president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company’s parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy making functions for the Company. Executive Officers shall include at a minimum executive officers identified pursuant to 17 CFR 229.401(b).

(6)“**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7)“**Incentive-based Compensation**” means any compensation, including, but not limited to, cash, stock options, restricted stock, restricted stock units, phantom stock and other equity or equity-based awards, that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Equity and equity-based awards that vest exclusively upon completion of a specified employment period, without any performance condition, and bonus awards that are discretionary or based on subjective goals or goals unrelated to Financial Reporting Measures, do not constitute Incentive-based Compensation.

(8)“**Nasdaq**” means The Nasdaq Stock Market LLC.

(9)“**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10)“**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to

prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.  
Effective October 2, 2023.

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Exhibit 97.1

**Exhibit A**

**Drilling Tools International Corp.**

**ATTESTATION AND ACKNOWLEDGEMENT OF POLICY  
FOR  
THE RECOVERY OF ERRONEOUSLY AWARDED  
COMPENSATION**

By signing this Attestation and Acknowledgement Form below, the undersigned (the “Executive Officer”) acknowledges and confirms that the Executive Officer has received and reviewed a copy of the Policy for the Recovery of Erroneously Award Compensation (the “Policy”) of Drilling Tools International Corp. (the “Company”).

In consideration of the Executive Officer’s eligibility to receive future Incentive-based Compensation (as defined in the Policy) and to participate in Incentive-based Compensation plans, as well as other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Executive Officer signing this Attestation and Acknowledgement Form below, the Executive Officer acknowledges and agrees that:

- the Executive Officer is and will continue to be fully bound by, and subject to, the Policy;
- in the event of any inconsistency between the Policy and the terms of any employment or separation agreement to which the Executive Officer is a party, or the terms of any compensation plan, program or arrangement under which any Incentive-based Compensation is granted, awarded, earned or paid, **the terms of the Policy shall govern;**
- the Policy will apply **both during and after the Executive Officer’s employment with the Company;**

- the Policy will apply to **past and future Incentive-based Compensation as provided in the Policy;** and

the Executive Officer is required to comply with the terms and conditions of the Policy, including, without limitation, the requirement to return any Erroneously Awarded Compensation (as defined in the Policy) to the Company to the extent required by, and in a manner consistent with, the Policy

Signature:

Printed Name:

Date:

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#### **DISCLAIMER**

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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Patents Pending.