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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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 001-40263

Grove Collaborative Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**88-2840659**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1301 Sansome Street **San Francisco, California**	**94111**
(Address of Principal Executive Offices)	(Zip Code)

(800) 231-8527

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001	**GROV**	**New York Stock Exchange**

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 Act. Yes No

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officer during the relevant recovery period pursuant to §240.10D-1(b). ☐

Based on the closing price of our Class A Common stock on June 30, 2023 (the last business day of the registrant's second fiscal quarter), the aggregate market value of voting and non-voting common stock held by non-affiliates was $43.9 million. Shares of common stock beneficially owned by each executive officer, director, and holder of more than 10% of our common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had outstanding 32,477,667 shares of Class A common stock and 5,697,250 shares of Class B common stock as of March 06, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference in Part III of this Annual Report on Form 10-K.

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Part I

Item 1. Business

Unless the context otherwise requires, all references in this subsection to the "Company," "Grove," "we," "us" or "our" refer to Grove Collaborative Holdings, Inc. and its consolidated *subsidiary following the Business Combination (as defined below), other than certain historical information that refers to the business of Grove Collaborative, Inc. prior to the consummation of the Business Combination.*

Our Vision

Grove Collaborative Holdings, Inc.'s mission is to transform the consumer products industry into a force for human and environmental good by creating and curating planet-first, high-performance brands and products.

Overview

Grove is a sustainability-oriented consumer products innovator. We use our connection with consumers to create and curate authentic, disruptive brands and products. Grove builds natural products that perform as well as or better than many leading consumer packaged goods, or CPG, brands (both conventional and natural), while being healthier for consumers and the planet.

Grove's omnichannel distribution strategy enables us to reach consumers where they want to shop. We operate an online direct-to-consumer website and mobile application ("DTC platform") where we both sell our Grove-owned brands ("Grove Brands") and partner with other leading natural and mission-based CPG brands, providing consumers a selection of curated products across many categories and brands. In the year ended December 31, 2023, we generated approximately 46% of our net revenue from Grove Brands, with 76% of that net revenue from home care products. As we grow our product assortment and distribution in our other categories including health and wellness, beauty, and personal care, we expect the contribution of sales from these categories to increase. We expanded into brick-and-mortar retail in April 2021 with the launch of a curated assortment of Grove Co. best sellers in cleaning, hand and dish categories at Target, and have since established additional retail partnerships with Amazon, CVS, Meijer, and Kroger. Our products were sold in over 7,500 stores across these retail partnerships as of December 31, 2023. We believe our retail strategy will generate additional brand awareness, especially as consumer concerns about single-use plastic continue to rise.

Grove is a public benefit corporation and a Certified B Corporation, meaning we adhere to third party standards for prioritizing social, environmental, and community well-being. We have a history of doing well by doing good. Since inception, we have invested heavily in building out both our Grove DTC platform and our Grove Brands. Over this period we have operated at a loss with an accumulated deficit of $621.1 million as of December 31, 2023. After several years of annual revenue growth, our revenues in the years ended December 31, 2023 and 2022 were approximately 19% and 16% respectively lower than in the previous year. This decline reflects the challenges that the industry faces as a result of customers buying behaviors that skewed heavily towards DTC platforms during the COVID-19 pandemic reverting to pre-pandemic levels, as well as the pressures of inflation on consumer spending. The decline also results from the Company's reductions in advertising spend and our strategic shift toward achieving profitability. While we continue to believe that there are long term growth trends in the reduced-plastic waste industry and that we will be able to continue to grow our business in the long run, post-pandemic consumer behavior patterns and macro-economic factors will continue to be a risk to our business and will continue to adversely impact our financial performance for at least the near to medium term. We expect that revenue will further decline in 2024 as we eliminate unprofitable revenue and maintain current levels of marketing spending before returning to growth. Our efforts to scale advertising, spend efficiently, re-engage with dormant customers, expand our category assortment and drive improved margins are central to operations in order to reach our goal of achieving adjusted EBITDA profitability and sequential quarterly revenue growth by the end of 2024.

Grove started in 2012 under the name "ePantry" as an online retailer for third-party natural household, beauty and personal care brands. We leveraged our ecommerce platform to learn about the industry, gain significant insight into consumer preferences and determine how we might drive change. Early on, it became clear that the current carbon, plastic, and ingredient footprint of our industry is unsustainable, and that there will be massive share shift to products that perform while supporting human and environmental health.

Our key long-term strategic advantage comes from a combination of our authentic mission and our direct relationships with customers. We gained differentiated insights on consumer preferences and provided a platform for them to tell us what they value in each product category we carried. We paired this insight with our product innovation capabilities, and in 2016 we launched Grove Co., our flagship home care brand. We have since brought more than 700

Grove Brand products to customers across our portfolio of brands, and Grove Co. has grown into the largest brand by revenue on our DTC platform.

After building a robust portfolio of efficacious, good-for-the-world products, we have recently pushed into an omnichannel model to reach consumers where and how they shop. We continue to operate our DTC platform where we maintain direct relationships with consumers who enjoy our assortment of natural home, beauty and personal care products. We also expanded into brick-and-mortar retail distribution in 2021. We continue to actively pursue opportunities to develop our brick-and-mortar retail distribution platform and expand our sales on third-party ecommerce platforms.

On June 16, 2022 (the "Closing Date"), we became a publicly traded company as a result of the consummation of Grove Collaborative, Inc.'s ("Legacy Grove") merger with Virgin Group Acquisition Corp. II, a Cayman-domiciled blank check company ("VGAC II"), which we refer to herein as the "Business Combination". Prior to the Business Combination, VGAC II's public shares and public warrants were listed on the New York Stock Exchange ("NYSE") under the symbols "VGII" and "VGII.WS," respectively. On June 17, 2022, the Company's Class A common stock and public warrants began trading on the NYSE under the symbols "GROV" and "GROV.WS," respectively.

Our Purpose

We believe that the consumer products industry has contributed to the current environmental crises, specifically the proliferation of single-use plastic. We need to create business models and products that meet the environmental needs of our time and the growing demand of consumers who are aware of the importance of making environmentally conscious decisions.

Sustainability is our core differentiator. We are addressing single-use plastic, carbon emissions, and forest degradation as the most material issues to our business and our industry. We believe these objectives also intersect areas of growing consumer interest and demand, and we have set ambitious goals to lead across these three objectives.

We believe that the depth and authenticity of our mission is a sustainable competitive advantage in a world where consumers urgently demand more conscientious products. We also believe that our mission is a competitive advantage in attracting and retaining top talent in a competitive market.

Public Benefit Corporation and Certified B Corporation

We believe that authentic commitment to our vision, and to "doing well by doing good," is a durable competitive advantage. As a way to codify our values, Grove became a public benefit corporation ("PBC") in 2021. We are devoted to the development, promotion and distribution of consumer products as a positive force for human and environmental health. As a PBC, we have a legal duty to prioritize not just stockholders' financial interests, but also the best interest of those materially affected by our business operations, including consumers, employees, partners, the environment and the communities in which we operate. In addition, Grove is a Certified B Corporation, meaning we adhere to rigorous third-party standards for prioritizing social, environmental and community well-being, and our performance is periodically independently audited against this framework.

Value Proposition to Consumers

We believe that sustainability should not require a tradeoff. Grove's products offer a unique blend of sustainability, efficacy, consumer centricity and modern design offered at accessible prices and supported by exceptional customer service and a strong online community. Every product Grove offers - from its flagship brand of sustainably powerful home care essentials, Grove Co., to its exceptional third-party brands - has been vetted against the Grove Standard, including strict ingredients standards, 100% plastic neutral orders, carbon neutral shipments, and high quality performance, in addition to being certified cruelty-free and ethically produced. Our branded products and packaging help consumers reduce their single use plastic usage. Products from Grove owned brands, whether sold on Grove.com or in retail, make it easy for consumers to make safe and sustainable choices for themselves and their families. Our products do not include anything on our anti-ingredients list, and everything we carry meets our rigorous standards. In addition to prioritizing plant-based ingredients, the Grove standard lists all the anti-ingredients you'll never find in our products, from parabens to phosphates and triclosan.

Our Brands

Brand Strategy

Increasingly, consumers are demanding brands that are thoughtfully designed with a focus on consumer needs and preferences, and that meet higher standards than ever in sustainability and health. The shift away from plastic in Home and Personal Care ("HPC") products is a clear consumer and industry trend. Combined with our mission, we believe that our direct relationship with consumers gives us a durable competitive advantage in building the brands to lead that change. All our product innovation work leverages our three pillars of development: consumer centricity, efficacy, and sustainability.

The Grove Co. Brand

The Grove Co. brand is a market leader in products that contain little to no single-use plastic, or are refillable or reusable - as defined by our Beyond Plastic™ standard. Both for our Grove Co. brand and site-wide, we track our plastic footprint using our plastic intensity metric - defined as the weight of plastic sold per $100 of net revenue. Grove Co. products allow consumers to care for their homes, live more sustainably and fully recycle our packaging and formats where such facilities are available to consumers. With an assortment of products ranging from household cleaners to hand and dish soaps to tree-free home tissues and laundry detergent, Grove Co. is the largest brand on our DTC platform.

Third-Party Brands

In addition to Grove Brands, we offer a curated portfolio of third-party brands on our DTC platform, providing consumers with a selection of over 3,000 products across more than 200 brands. These brand relationships provide customers with breadth across product categories, while reinforcing Grove's position as a destination for discovery and providing us with valuable data on customer purchasing behavior and preferences.

We carry a wide range of clean and natural products within home, beauty and personal care, including products aimed at baby and pet care. Since our inception, we have attracted and maintained strong relationships with a diverse group of clean and natural brands within home care, beauty and personal care, from emerging brands such as Aunt Fannie's, Hello, and Terra Beauty Bars to globally recognized brands such as Mrs. Meyers, Seventh Generation, Method, and Burt's Bees. Prior to onboarding new brand partners, all brands undergo a thorough review process to ensure they meet our rigorous sustainability criteria, including goals to reduce and eliminate plastic, safe and transparent ingredient standards, certified cruelty-free products, and ethical production.

We take a data-driven approach to category expansion by leveraging the insights garnered through our DTC platform. By carrying third-party products, we are not only able to better serve our customers by providing a wider product assortment, but we are able to understand both category demand and the product attributes that our consumers value before investing in development of our own products.

We offer a highly compelling proposition to our third-party brands by providing access to more than 900,000 environmentally-conscious and digitally-savvy customers who shopped on our DTC platform in 2023. We consider these third-party brands to be important long-term partners both in serving our customers on our digital platform and in changing the industry for the better. We expect to continue to collaborate with these brands to help bring their complementary products to consumers while also executing on our strategy to make our DTC platform a destination for consumer discovery. Over the long term, we do not view the trends driving Grove's growth as winner-take-all. Instead, we believe that lifting the industry towards reduced plastic waste will be the "new normal" and will materially benefit Grove.

Product Development and Innovation

We believe we have a durable competitive advantage in product development, based on the data and consumer insights garnered through our DTC platform. We estimate that we can develop products faster than most traditional CPG companies using a variety of strategies only available as a result of our DTC platform:

- We can test market acceptance of product attributes prior to or as part of product launch, including fragrance, price point, marketing messaging, sustainability and more. We can assess market acceptance of products on our DTC platform prior to a product ready date to determine consumer interest via our waitlist feature.
- We can quickly gather consumer feedback by including samples in existing shipments, conducting online focus groups, and asking our consumers directly. We can then improve the products where possible and relaunch or drop underperforming products at relatively little cost.
- We can launch products on our DTC platform at any point, without the constraints of retailer shelf reset timelines.
- We have an understanding of our consumers based on historical purchasing behavior, demographic information, and the ways in which they engage with our community and platform.

In addition, our research and product development team brings both HPC product experience as well as digital channel know-how to our innovation road map. We believe the combination of our data along with our innovation capabilities allows us to consistently produce high-quality, efficacious products with speed to market.

Sustainability and Environmental Health and Safety

Grove's corporate sustainability ethos and sustainable product offering are our primary differentiators. Our customers seek carefully created and curated products that align with their values around environmental health and safety. As part of that value proposition, we pride ourselves on our industry-leading sustainability work in areas relevant to our business: plastic, forests, and carbon.

Plastic

The HPC industry has been built on seemingly cheap and disposable single-use plastic packaging. As consumers awaken to the reality of the plastic pollution crisis, they are urgently and increasingly demanding new solutions.

Plastic Neutrality. Every order at Grove is 100% plastic neutral. For every ounce of plastic we sell, we recover this equal amount of ocean-bound plastic in partnership with rePurpose Global. Our plastic neutrality program recovers low-value plastic waste that is most likely to end up as pollution, helps scale local plastic waste management value chains, and empowers marginalized waste worker communities.

Beyond Plastic. Our industry has historically addressed the plastic pollution crisis by setting unrealistic goals about recycled plastic content that will be impossible to achieve given the realities of recycling infrastructure. Today, only about 5% of plastic is recycled. Beyond Plastic™ is our effort to engender bold action and spur our industry towards long-term, scalable solutions that do not rely on single-use plastic. While we recognize that some plastic in products and packaging is not entirely unavoidable given the absence of feasible alternatives, Beyond Plastic™ is our effort to recognize progress and continue to push ourselves and our broader industry forward.

Forests

Our industry is heavily dependent on natural fibers to produce paper products, a staple of home essentials. Without a robust commitment to sourcing new, regenerative materials or recycled fibers that do not rely on cutting down trees, our industry continues to put the health of our forests and protection of biodiversity at risk. Our aim is to conserve forests through our business, both by avoiding use of paper products that directly contribute to deforestation as well as by actively funding forest conservation, both directly and through our carbon offset programs.

Two Million Acres of Forest. In 2022, we reached our goal to plant 1 million trees. Every purchase of Grove Co. paper supported the Arbor Day Foundation's reforesting efforts in the United States. Grove now partners with The Nature Conservancy to support Indigenous-led conservation across 2 million acres in the Tongass Rainforest of Southeast Alaska.

Tree-Free Paper. Grove's line of tree-free paper products is made entirely from Forest Stewardship Council certified bamboo, a sustainable and fast-regenerating fiber. Not only do Grove's paper products offer a high-quality alternative to traditional paper products that contribute to deforestation, but they support our goals around forest conservation.

Carbon

Our goal is to decouple the growth of our business from our carbon footprint through a focus on mitigation and supplier engagement. For our remaining emissions, we are committed to offset purchases, with a focus on nature-based projects which prioritize habitat protection, biodiversity and supporting local and indigenous communities. Since 2019, Grove has operated carbon neutral facilities and customer shipping. We're committed to using our advocacy efforts and relationship with industry partners and suppliers to push for decarbonization, rather than using offsetting as a standalone strategy to reach our climate goals.

Our Customers

We seek to build a brand that appeals to a broad consumer population, and we have found that our customer base is diverse and expansive, reinforcing our belief that our product offerings, brands, and value proposition span gender, age, geography, ethnicity, and household income across the United States. We regularly conduct surveys, and, based on customer feedback, we believe that our typical customer cares deeply about their family and their homes, seeks safe and effective products, and is conscientious about the impact they have on the planet. Motivated by a desire to learn and discover, they are spending more time engaging with the natural HPC category and making sustainable choices as part of their environmentally conscious lifestyle.

Our Omnichannel Distribution Strategy

We reach consumers through both DTC and retail channels. Our omnichannel approach enables us to reach more customers with differentiated offerings. Our channels are complementary to each other and learnings from each further enhance the entire Grove community.

DTC Platform

Our website enables consumers to view our entire product portfolio including Grove Brand and third-party products across a variety of categories. Through the website, we offer customers exclusive deals and offers, share newly launched products and display our wide array of seasonal bundles. We offer customers our flexible monthly subscribe-and-save shipment service to help them stay on top of their home care regimen, as well as non-subscription options to ship as needed. Customers can subscribe to individual products at appropriate cadences to make sure they never run out. Grove recently launched an updated first order experience for new customers by changing the consumer subscription experience, removing gated access and creating incentives for customers to opt into a program to subscribe to individual products for increased savings.

We leverage data to further enhance the customer experience by personalizing pages to better fit the customers shopping needs. Our DTC shoppers can reach out to our Grove Guides team for any questions pertaining to their orders. Customers can call, chat, text, or email our Grove Guides team to modify orders, ask about new products, request a refund, or learn more about our sustainability practices. All of our shipments are offset so they are carbon neutral and all plastic sold is offset through our partnerships with rePurpose Global.

Grove believes that we can go farther together in achieving the shared goal of making our industry more sustainable. We remain committed to building high-value, long-term relationships with other leading brands that can complement the Grove Brand products in our DTC offering. For our third-party brand partners, our DTC platform provides a unique way for our partners to tell their brand and product stories to consumers at scale. We provide a dedicated channel that enables brands to reach customers whose values are aligned with our brand partners directly, which our partners may be unable to reach through typical brick-and-mortar channels. Our DTC platform also provides a channel for our partners to launch and scale plastic-free or low-plastic packaging. Our direct connection to consumers aids our partners by providing valuable product feedback at a rate typically much faster than retail channels. As a result of our scale and strict product standards, we believe placement on our platform provides a positive brand association for our partners.

Retail

We expanded into brick-and-mortar retail in April 2021, with the launch of a curated assortment of Grove Co. best sellers in cleaning, hand and dish categories at Target, in a nationwide partnership both in store and on Target.com, including endcap, category and mobile app activation. Our products are in all Target stores across the United States, in over 1,900 retail doors and we doubled our assortment in 2022. We also expanded our retail partners to include Amazon, CVS, Meijer, and Kroger with additional major national retailers expected to launch in 2024. Our products were sold in over 7,500 stores across these retail partnerships as of December 31, 2023. We believe our retail strategy will generate additional brand awareness, especially as consumer concerns about single-use plastic continue to rise.

Our Grove Brand products that are sold at retail outlets offer an attractive value proposition to our omnichannel retail partners. Our products offer low-risk, incremental revenue stemming from our DTC proof points and the benefit of association with our earth-friendly market positioning. Retailers understand the importance of offering consumers reduced waste options, and Grove's assortment is a market leader. While the distribution of Grove Brand products through our omnichannel retail partners was not material to our financial results in 2021, 2022 or 2023, we expect retail expansion to be a significant driver of growth and revenue in future years.

Supply Chain and Operations

Freight

Our freight strategy focuses on inbound and outbound transportation. For inbound shipments, we utilize state-of-the-art transportation management systems that optimize time and costs. For outbound fulfillment parcel shipping, we partner with national as well as regional carriers. We utilize a rate-shop service to identify best pricing and time in transit for our delivery points. Freight costs represent a significant portion of our operating expenses.

Fulfillment

We have three fulfillment centers dedicated to our DTC platform, which are capable of reaching approximately 91% of our customers with two-day or faster shipping. We will close one fulfillment center location in the second quarter of 2024 upon which we expect to reach approximately 88% of customers with two-day or faster shipping. We fulfill orders for our retail partners through third-party logistics partnerships. We also regularly work to optimize and automate our operations to improve our margin profile while ensuring a seamless shopping experience for customers.

Supply Chain

We maintain a diversified global supply chain for sourcing our Grove products to help ensure product quality and integrity. All product suppliers and third party brands are required to sign Grove's Code of Conduct in order to ensure honesty and integrity in all business practices throughout Grove's supply chain. In addition, Grove's social compliance program helps to ensure equitable, healthy and safe working conditions. Grove requires all our direct finished producers in a non-low-risk country (according to Amorfi) to be audited according to Amorfi's BSCI Standard. We monitor for social compliance and continuous improvement in accordance with Amorfi's BSCI Code of Conduct. We evaluate our producers on various areas, such as fair wages, decent working hours, occupational health and safety, and more.

Grove is also committed to taking meaningful action on climate, including advocating for policy change that enables decarbonization at scale and engaging with our suppliers on their direct emissions. Since 2020, Grove has measured its carbon emissions under the Greenhouse Gas Protocol, which is the world's most widely used greenhouse gas accounting standard. Developing a full greenhouse gas emissions inventory by measuring Scope 1 (from sources we own directly), and Scopes 2 and 3 (from indirect sources) emissions helps Grove understand our full value chain emissions and focus our efforts on the greatest reduction opportunities. Grove also maintains carbon neutral customer shipping and facilities. We have pledged to reduce emissions in alignment with science based targets and to reduce our emissions in line with what the science tells us is needed to avoid the worst effects of climate change. We are also committed to source offsets from long-term, nature-based, community-led solutions.

Competition

The markets in which we compete are evolving rapidly and intensely competitive, and we face a broad array of competitors from many different industry sectors.

Our business includes a variety of product types and delivery channels. Our current and potential competitors include: (1) companies that sell household and personal care products online and in physical stores; (2) physical, e-commerce, and omnichannel retailers, vendors, distributors, and manufacturers of the products we offer and sell to consumers; and (3) web search engines, comparison shopping websites, social networks, and other online and app-based means of discovering, using, or acquiring goods, either directly or in collaboration with other retailers. We compete based on various product attributes, including sustainability, price, and quality.

We compete with producers of household and personal care products and e-commerce and traditional sales outlets. Some of our competitors are also our partners and we distribute their products. In addition, there is a risk that our emerging retail distribution partnerships will erode the success of our DTC e-commerce business. Some of our current and potential competitors have longer histories, larger fulfillment infrastructures, better established wholesale and retail distribution networks, faster shipping times, lower-cost shipping, lower operating costs, larger consumer bases, and greater control over inputs critical to our business such as financial, marketing, institutional and other resources, and larger consumer bases than we do. They may secure better terms from suppliers, adopt more aggressive pricing, pursue restrictive distribution agreements that restrict our access to supply, direct consumers to their own offerings instead of ours, and devote more resources to research and development, technology, infrastructure, fulfillment, and marketing and develop products or services that are similar to ours or that achieve greater market acceptance. The Internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller, or lesser-known businesses to compete against us.

We strive to make our workplace, our products, and our services more equitable and inclusive. We believe an inclusive culture contributes to Grove's success.

Our People

We value our employees. They are our most important asset and key to the success of our company and mission. We seek to recruit and retain talented and engaged team members who are committed to our values, goals, and our community. The passion of our employees is evident in the design and delivery of our products, the support we provide to our consumers and the impact we are making in our community and industry.

As of December 31, 2023, we had approximately 408 full-time employees, as well 152 part-time and temporary employees. Approximately 68% of our total employee population is located in our fulfillment centers.

Diversity, Equity and Inclusion

We believe that a more inclusive and equitable HPC industry starts with a strong commitment within our workplace, as well as on our virtual shelves. We have been focused on building a team where employees and customers are seen, heard and feel valued. We uphold our diversity, equity and inclusion values by engaging our employees and leaders in trainings that promote critical thinking, inspire grassroots action, and invoke conversations that open us up to diversity of thought. This foundational framework is critical for us in our journey to help our employees, customers and communities thrive.

Facilities

Our corporate headquarters is located in San Francisco, California, and we have used this facility for engineering, finance, marketing, human resources, legal, information technology and security, physical product development, research and science, supply chain, and other administrative functions. Our workforce outside of our fulfillment centers generally works remotely, and we have right-sized our headquarters office footprint accordingly.

We lease three fulfillment center locations in Reno, Nevada; St. Peters, Missouri; and Elizabethtown, Pennsylvania, which we use for inbound and receiving, packing and shipping, transportation, operations technology, warehouse IT, operations management, and human resources. We have evaluated our fulfillment center ecosystem and made the decision to close our Missouri location in the second quarter of 2024 to optimize for cost and operational efficiencies.

Trademarks and Other Intellectual Property

We protect our intellectual property through a combination of trademarks, domain names, copyrights, trade secrets and patents, as well as contractual provisions and restrictions on access to our proprietary technology. Our principal trademark assets include the trademarks “Grove,” “Grove Co.,” and “Grove Collaborative,” which are registered or pending registration in the U.S. and targeted foreign jurisdictions, as well as our logos, taglines and multiple product brand names. We have applied to register or registered many of our trademarks in the U.S. and other jurisdictions, and we will pursue additional trademark registrations to the extent we believe they would be beneficial and cost-effective.

Worldwide, we have 18 issued patents and 8 patent applications pending. Our issued patents will begin expiring in March 2034. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost-effective.

We are the registered holder of multiple domestic and international domain names that include “grove” and similar variations. We also hold domain registrations for many of our product names and other related trade names and slogans. In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners. Our employees are also subject to invention assignment agreements. We further control the use of our proprietary technology and intellectual property through provisions in both our customer terms of use on our website and the terms and conditions governing our agreements with other third parties.

Government Regulation

The vitamins/dietary supplements, foods, over-the-counter drugs, cosmetic products and medical device products we sell under our own brands and from third-party brands are subject to regulation by the Food and Drug Administration (the “FDA”). Substantially all of our products are subject to regulation by one or more of the following: the Consumer Product Safety Commission (the “CPSC”), the EPA, the Federal Trade Commission (the “FTC”), as well as various other federal, state, and local regulatory authorities. The applicable laws and regulations principally relate to the ingredients or components, proper labeling, advertising, packaging, marketing, manufacturing, warehousing, registration, safety, shipment and disposal of our products.

Under the Federal Food, Drug and Cosmetic Act (the “FDCA”), cosmetics are defined as articles or components of articles that are applied to the human body and intended to cleanse, beautify, promote attractiveness or alter its appearance, with the exception of soap. The labeling of cosmetic products is also subject to the requirements of the FDCA, the Fair Packaging and Labeling Act, the Poison Prevention Packaging Act and other FDA and state regulations. Cosmetics are not subject to pre-market approval by the FDA, however certain ingredients, such as color additives, must be pre-authorized. If the safety of the products or ingredients has not been adequately substantiated, a specific warning label is required. Other warnings may also be mandated pursuant to FDA and certain regulations. The FDA monitors compliance of cosmetic products through market surveillance and inspection of cosmetic manufacturers and distributors to ensure that the products neither contain false nor misleading labeling and that they are not manufactured under unsanitary conditions. Inspections also may arise from consumer or competitor complaints filed with the FDA. In the event the FDA identifies false or misleading labeling or unsanitary conditions or otherwise a failure to comply with FDA requirements, we may be required by a regulatory authority or we may independently decide to conduct a recall or market withdrawal of our product or to make changes to our manufacturing processes or product formulations or labels.

On December 23, 2022, Congress passed the Food and Drug Omnibus Reform Act of 2022, as part of the Consolidated Appropriations Act of 2023. Included in the Omnibus Reform package is the Modernization of Cosmetics Regulation Act of 2022 (“MOCRA”), which provides FDA with additional authority to regulate cosmetic products. MOCRA, when fully implemented by FDA, will require, among other things, the reporting to FDA of serious adverse events associated with the use of a cosmetic product in the United States, cosmetic facility registration and product listing, the maintenance of safety substantiation files and the establishment of good manufacturing practices for cosmetics. MOCRA also provides FDA with mandatory recall authority over cosmetic products.

Our tampon, feminine and sexual health products are regulated as medical devices by the FDA and must be manufactured in an establishment registered with the FDA and in conformity with applicable regulatory clearances, device listing and quality system regulations. In addition, there are requirements for the reporting of certain adverse events or medical device reports for medical devices.

The FDA may change the regulations as to any product category, requiring a change in labeling, product formulation or analytical testing.

We are subject to regulation by the CPSC under the Consumer Product Safety Act, the Federal Hazardous Substances Act, and other laws enforced by the CPSC. These statutes and the related regulations establish safety standards and bans for consumer products. The CPSC monitors compliance of consumer products under its jurisdiction through market surveillance and has the authority to conduct product safety related inspections of establishments where consumer products are manufactured, held, or transported. The CPSC has the authority to require the recall of noncompliant products or products containing a defect that creates a substantial risk of injury to the public. The CPSC may seek penalties for regulatory noncompliance under certain circumstances. CPSC regulations also require manufacturers of consumer products to report to the CPSC certain types of information regarding products that fail to comply with applicable regulations, that contain a defect which could create a substantial product hazard, or that create an unreasonable risk of serious injury or death. Certain state laws also address the safety of consumer products and mandate reporting requirements, and noncompliance may result in penalties or other regulatory action.

Certain of our products are also subject to regulation by the EPA under the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”). FIFRA establishes a system of pesticide, including disinfectant products, regulation to protect applicators, consumers and the environment. Under FIFRA, certain of our cleaning products, including the disinfectant products, may require approval from and registration with the EPA prior to sale. Products subject to FIFRA must comply with specified approval, registration, manufacture, labeling, and reporting requirements, among other requirements. The EPA is authorized to take enforcement action to prevent the sale or distribution of non-compliant disinfectant products, including to prevent the sale or distribution of unregistered disinfectants and to prevent the sale or distribution of registered pesticides that are not permitted to make claims permitted by the terms of their registration, among other areas of non-compliance. The EPA may seek penalties for regulatory noncompliance under certain circumstances. Manufacturers subject to FIFRA are also required to register with the EPA and report certain types of information regarding disinfectant products to the EPA. Importers and exporters of products regulated under FIFRA are also subject to filing and other requirements. Certain state laws may also impose requirements applicable to cleaning products, and non-compliance may result in penalties or other regulatory action.

The USDA enforces federal standards for organic production and use of the term “organic” on certain product labeling, including for foods and dietary supplements. These laws prohibit a company from selling or labeling products as organic unless they are produced and handled in accordance with the applicable federal law.

The FTC, FDA, USDA, EPA, and other government authorities also regulate advertising and product claims regarding the characteristics, quality, safety, performance and benefits of our products. These regulatory authorities typically require a safety assessment of the product and reasonable basis to support any factual marketing claims. What constitutes a reasonable basis for substantiation can vary widely from market to market, and there is no assurance that our efforts to support our claims will be considered sufficient. The most significant area of risk for such activities relates to improper or unsubstantiated claims about the composition, use, efficacy and safety of our products and their environmental impacts. If we cannot adequately support safety or substantiate our product claims, or if our promotional materials make claims that exceed the scope of allowed claims for the classification of the specific product, the FDA, FTC or other regulatory authority could take enforcement action, impose penalties, require us to pay monetary consumer redress, require us to revise our marketing materials or stop selling certain products and require us to accept burdensome injunctions, all of which could harm our business, reputation, financial condition and results of operations.

The FTC recently issued the “Health Products Compliance Guide” (“FTC Guide”) which provides guidance from FTC regarding how companies should ensure that claims about the benefits and safety of health-related products are truthful, not misleading, and supported by science. This new FTC Guide applies to all products making health-related claims, including, but not limited to, food, over-the-counter drugs, dietary supplements and homeopathic products. Of significance, the FTC Guide provides that, as a general matter, substantiation of these type of claims will require randomized, controlled human clinical testing; animal and in vitro studies may provide useful supporting or background information, but, without confirmation by human clinical testing, they are not sufficient to substantiate health-related claims.

In addition, the FTC regulates the use of endorsements and testimonials in advertising as well as relationships between advertisers and social media influencers pursuant to principles described in the FTC's Guides Concerning the Use of Endorsements and Testimonials in Advertising (the "Endorsement Guides"). The Endorsement Guides provide that an endorsement must reflect the honest opinion of the endorser and cannot be used to make a claim about a product that the product's marketer could not itself legally make. They also say that if there is a connection between an endorser and the marketer that consumers would not expect and it would affect how consumers evaluate the endorsement, that connection should be disclosed. Another principle in the Endorsement Guides applies to ads that feature endorsements from people who achieved exceptional, or even above average, results from using a product. If the advertiser does not have proof that the endorser's experience represents what people will generally achieve using the product as described in the ad, then an ad featuring that endorser must make clear to the audience what results they can generally expect to achieve, and the advertiser must have a reasonable basis for its representations regarding those generally expected results. Although the Endorsement Guides are advisory in nature and do not operate directly with the force of law, they provide guidance about what the FTC staff generally believes the Federal Trade Commission Act (the "FTC Act") requires in the context using of endorsements and testimonials in advertising and any practices inconsistent with the Endorsement Guides can result in violations of the FTC Act's proscription against unfair and deceptive practices.

To the extent we may rely on endorsements or testimonials, we will review any relevant relationships for compliance with the Endorsement Guides and we will otherwise endeavor to follow the FTC Act and other legal standards applicable to our advertising. However, if our advertising claims or claims made by our social media influencers or by other endorsers with whom we have a material connection do not comply with the Endorsement Guides or any requirement of the FTC Act or similar state requirements, the FTC and state consumer protection authorities could subject us to investigations and enforcement actions, impose penalties, require us to pay monetary consumer redress, require us to revise our marketing materials and require us to accept burdensome injunctions, all of which could harm our business, reputation, financial condition and results of operations.

We are also subject to a number of U.S. federal and state laws and regulations that affect companies conducting business on the Internet, including consumer protection regulations that regulate retailers and govern the promotion and sale of merchandise. Many of these laws and regulations are still evolving and being tested in courts, and could be interpreted in ways that could harm our business. These may involve user privacy, data protection, content, intellectual property, distribution, electronic contracts and other communications, competition, protection of minors, consumer protection, telecommunications, product liability, taxation, economic or other trade prohibitions or sanctions and online payment services. In particular, we are subject to federal, state, and local laws regarding privacy and protection of people's data. Foreign data protection, privacy and other laws and regulations can be more restrictive than those in the U.S. Federal and state laws in the U.S. and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application, interpretation and enforcement of these laws and regulations are often uncertain and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. The California Consumer Privacy Act ("CCPA") requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of the sale of personal information with third parties and prohibits covered businesses from discriminating against California residents (for example, charging more for services) for exercising any of their rights under the CCPA. The law also provides a private right of action and statutory damages for certain data breaches that result in the loss of personal information. The CCPA was recently amended by the California Privacy Rights Act ("CPRA"), and several states have also enacted or approved policy legislation imposing additional data protection obligations on companies doing business in those states, resulting in further complexity. These laws, among other things, give state residents the ability to limit the use of their sensitive information, introduce increased consent and restriction requirements for the processing of personal data of minors, provide for penalties for violations, and establish state enforcement powers (such as those vested in the California Privacy Protection Agency) to implement and enforce these new laws. There are also a number of legislative proposals pending before the U.S. Congress, additional state legislative bodies and foreign governments concerning privacy and data protection which could affect us. Some observers have noted the growing trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business, results of operations, and financial condition. If our privacy or data security measures fail to comply with applicable current or future laws and regulations, we may be subject to litigation, regulatory investigations, enforcement notices requiring us to change the way we use personal data or our marketing practices, fines or other liabilities, as well as negative publicity and a potential loss of business.

Item 1A. Risk Factors

In addition to the other information in this Annual Report on Form 10-K and in other filings we make with the Securities and Exchange Commission, the following risk factors should be carefully considered in evaluating our business as they may have significant impact on our business, operating results and financial condition. If any of the following risks actually occurs, our business, financial condition, liquidity and results of operations and our future prospects could be materially and adversely affected. Because of the following factors, as well as other variables affecting our operating results, past financial performance should not be considered as a reliable indicator of future performance and investors should not use historical trends to anticipate results or trends in future periods.

Summary of Risk Factors

Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks and uncertainties that we face. The below summary is qualified in its entirety by those more complete discussions of such risks and uncertainties. You should consider carefully the risks and uncertainties described in Part 1, Item 1A, “Risk Factors” in this Annual Report on Form 10-K as part of your evaluation of an investment in our securities.

Risks Related to Our Busines S

- We rely on consumer discretionary spending, which may be adversely affected by macroeconomic conditions or trends.
- Advertising inaccuracies or product mislabeling may have an adverse effect on our business.
- Our revenue has declined for two consecutive years. If we are unable to achieve profitable growth in the future, our business could be adversely affected.
- Our quarterly operating results fluctuate, which could cause our stock price to decline.
- We have incurred significant losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.
- We will require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed could adversely impact us.
- Success of our retail and product innovation strategies depends on a variety of factors.
- We may not be able to compete successfully
- If we fail to cost-effectively acquire new consumers or retain our existing consumers, our business could be adversely affected.
- Our reduction in spending to achieve profitability may adversely affect us.
- Our brand and reputation may be diminished due to real or perceived quality, safety, efficacy or environmental impact issues with our products.
- Failure to introduce new products that meet the expectations of our customers may adversely affect us.
- Government regulation of the Internet and ecommerce is evolving, and unfavorable changes or failure by us to comply with these regulations could have an adverse effect on our business.
- We may become subject to product liability claims, which could materially harm our business and liquidity.
- We are subject to a number of other laws and regulations, which could impact our business.
- We may experience damage or destruction to our distribution centers, which may harm our business.
- We are dependent on our management team, and the loss of one or more key employees or groups could harm our business.
- Labor-related matters, including labor disputes, may adversely affect our operations.
- Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution, infrastructure and logistics to third-party providers, and the loss of any of our key suppliers or logistical service providers could negatively impact our business.
- Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results.
- Risks associated with the outsourcing of our fulfillment process and other technology-related functions could materially and adversely affect our business.
- We are seeking to expand the offering of our own branded products in retail stores and our inability to secure, maintain and increase our presence in retail stores could adversely impact our revenue.

- We may be unable to adequately obtain, maintain, protect, defend and enforce our intellectual property rights.
- Indemnity provisions in various agreements to which we are party potentially expose us to substantial liability for infringement, misappropriation or other violation of intellectual property rights.
- We must successfully maintain, scale and upgrade our information technology systems, and our failure to do so could have an adverse effect on our business.
- If we (or our vendors) are unable to protect against or adequately respond to mitigate the impacts of a service interruption, data corruption, or cybersecurity attack, our operations could be disrupted, our reputation may be harmed and we could face significant costs to remediate the incident and defend against claims by business partners, customers, or regulators.
- The failure by us or our vendors to comply with applicable privacy and data protection laws, regulations or industry standards could have an adverse effect on our business.
- Changes in existing laws or regulations or related official guidance, or the adoption of new laws or regulations or guidance, may adversely affect our business.
- Failure by our network of retail and ecommerce partners, suppliers or manufacturers to comply with laws and regulations, or with the specifications and requirements of our products, may adversely affect our business.
- Our status as a public benefit corporation and a Certified B Corporation may not result in anticipated benefits.
- As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.
- As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests.
- We and our directors and executive officers may be subject to litigation.

Risks Relating to Ownership of Our Securities

- The price of our Class A Common Stock may be volatile.
- Warrants are or may become exercisable for shares of our common stock which could result in dilution to our stockholders.
- WarrantS may never be in the money, and they may expire worthless and the terms of the warrants may be amended in a manner adverse to a holder.
- Our dual-class structure may impact the stock price of our Class A Common Stock.
- We may incur debt or assume contingent or other liabilities or dilute our stockholders.
- The NYSE may delist our securities from trading on its exchange.
- Because there are no current plans to pay cash dividends on our Class A Common Stock , holders of our Class A Common Stock may not receive any return on investment.
- The Series A Preferred Stock contains covenants that may limit our business flexibility.
- Holders of the Series A Preferred Stock may convert their securities into Class A Common Stock.
- If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our reported financial information and this may lead to a decline in our stock price.
- Delaware law and our governing documents contain certain provisions, including anti-takeover provisions, that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts.
- Our Charter designates a state or federal court located within the State of Delaware as the sole and exclusive forum for substantially all disputes between us and our stockholders.

Risks Related to Our Business

We rely on consumer discretionary spending, which may be adversely affected by economic downturns and other macroeconomic conditions or trends.

Our business depends on consumer discretionary spending. Some of the factors that may negatively influence consumer spending include high levels of unemployment; higher consumer debt levels; reductions in net worth, declines in asset values, and related market uncertainty; home foreclosures and reductions in home values; fluctuating interest rates and credit availability; fluctuating fuel and other energy costs; fluctuating commodity prices; the high rate of inflation and general uncertainty regarding the overall future political and economic environment. Furthermore, any increases in consumer discretionary spending during times of crisis may be temporary, such as those related to government stimulus programs or remote-work environments, and consumer spending may decrease when those programs or circumstances end. In addition, economic conditions in certain regions may be affected by natural disasters, such as hurricanes, tropical storms, earthquakes, and wildfires; other public health crises; and other major unforeseen events. Consumer purchases of discretionary items, including the merchandise that we offer, generally decline during recessionary periods or periods of economic uncertainty, when disposable income is reduced or when there is a reduction in consumer confidence. Any decline in consumer discretionary spending could negatively impact our revenue, which could have a material adverse effect on our business, financial condition and results of operations.

Advertising inaccuracies or product mislabeling may have an adverse effect on our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings.

Many products that we sell are labeled and advertised with claims as to their origin, ingredients or health, wellness, environmental or other benefits, including, by way of example, the use of the term “natural”, “organic”, “clean”, or “sustainable”, or similar synonyms or implied statements relating to such benefits. Grove’s brand as a whole is marketed using similar environmental language. The Federal Trade Commission’s (FTC) Guides For The Use Of Environmental Marketing Claims, or the “Green Guides,” provide guidance on how to use environmental marketing claims, provide specific guidance for certain terms (e.g. “recyclable”), and recommend against using unqualified statements about environmental benefits such as “eco-friendly”. Although the FDA and the USDA each have issued statements regarding the appropriate use of the word “natural,” there is no single, U.S. government regulated definition of the term “natural” for use in the consumer and personal care industry. This is also true for many other claims common in the clean conscious product industry.

Consumer class actions, actions from industry groups such as the National Advertising Division of the Better Business Bureau, and public enforcement actions have been brought against numerous companies that market “natural,” “sustainable,” or other ecologically conscious products or ingredients, asserting false, misleading and deceptive advertising and labeling claims. These suits often identify ingredients or components of a product for which certain marketing claims may not be fully accurate, and claim that their presence in the product renders the statements false and deceptive. For example, some actions concerning “natural” claims have focused on the presence of genetically modified and/or synthetic ingredients or components in products, including synthetic forms of otherwise natural ingredients.

Many of our products are subject to regulatory enforcement:

- The FDA regulates product labels and other product claims for the consumer products subject to its jurisdiction and has the authority to challenge product labels and claims that it believes are non-compliant or false or misleading, through the use of a variety of enforcement tools (e.g., Warning Letters, untitled letters, and seizure actions). In limited circumstances, the FDA has taken regulatory action against products labeled “natural” but that nonetheless contain synthetic ingredients or components.

- The FTC has the authority to challenge claims made in product advertising and requires that such claims are adequately substantiated prior to use. The FTC similarly has enforcement tools that it uses to challenge advertising claims that it deems non-compliant with the law.

- The USDA enforces federal standards for organic production and use of the term “organic” on product labeling. These laws prohibit a company from selling or labeling products as organic unless they are produced and handled in accordance with the applicable federal law. Failure to comply with these requirements may subject us to liability or regulatory enforcement. Consumers may also pursue state law claims challenging use of the organic label as being intentionally mislabeled or misleading or deceptive to consumers.

- In addition, certain products, including the disinfectant products, we sell may require approval from and registration with the EPA and state regulatory agencies prior to sale. Products that expressly or impliedly claim to control microorganisms that pose a threat to human health may be subject by additional regulatory scrutiny and need to be supported by additional efficacy data. Should we advertise or market these regulated products with claims that are not permitted by the terms of their registration or are otherwise false or misleading, the EPA and states may be authorized to take enforcement action to prevent the sale or distribution of disinfectant products.

State and local enforcers also have the authority to prosecute false advertising cases, including relating to environmental marketing claims. Current and potential competitors may make similar claims, which may result in litigation and inquiries from state and federal regulators and governments.

Should we become subject to actions regarding our branding or product marketing, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is unfounded. Moreover, any regulatory or government enforcement actions may trigger class action lawsuits under state consumer protection laws.

Adverse publicity about these matters may discourage consumers from buying our products. The cost of defending against any such claims could be significant and we may incur substantial costs remediating product claims in labeling and advertising if we are unsuccessful in defending such actions. Any loss of confidence on the part of consumers in the truthfulness of our labeling, advertising or ingredient claims would be difficult and costly to overcome and may significantly reduce our brand value. Any of these events could adversely affect our reputation and brand and decrease our sales, which could have an adverse effect on our business, financial condition, results of operations and prospects.

False or misleading marketing claims concerning a product's registration or its efficacy may also create the risk for challenges under federal or state law.

After a number of years of rapid growth, since the beginning of 2022 we have seen substantial declines in our revenues and business operations, particularly as we have shifted our operating strategy to achieve profitability. If we are unable to achieve profitable growth in the future, our business prospects could be adversely affected and our stock price could be adversely affected.

From our launch in 2012 through 2021, we experienced rapid growth in our revenues and expansion of our business operations. Beginning in 2022, we saw two years of sequential declines in revenues. In response to these business declines and in an effort to stabilize our business, we have undertaken a series of measures to cut our operating expenses and achieve adjusted EBITDA profitability, which we did for the first time in the third and fourth quarters of 2023. These changes in our business model have placed significant demands on our management, financial, operational, technological and other resources. Our ability to achieve profitable growth in the future depends on a number of factors, including our ability to increase awareness of our brand and successfully compete with other companies; price our products effectively so that we are able to attract new consumers and expand sales to our existing consumers; expand distribution to new retail partners; continue to innovate and introduce new products; maintain and improve our technology platform supporting our e-commerce business; expand our supplier and fulfillment capacities; drive operational efficiency; and maintain quality control over our product offerings. These challenges have been compounded by recent trends in the macroeconomic environment, with increased inflationary pressure on consumer spending, increased interest rates and reduced access to capital constraining liquidity, all of which may cause us to reduce spending in areas that historically drive growth and which could materially adversely affect our business.

Any investments that we make may not result in the growth of our business. Even if our investments do result in the growth of our business, if we do not effectively manage our growth, we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, satisfy consumer requirements or maintain high-quality product offerings, any of which could adversely affect our business, financial condition, results of operations and prospects. You should not rely on our historical rate of revenue growth as an indication of our future performance or the rate of growth which we may experience in any new category or from international expansion. We are also required to manage numerous relationships with vendors and other third parties. Further growth of our operations, vendor base, fulfillment centers, information technology systems or internal controls and procedures may not be adequate to support our operations. If we are unable to manage the growth of our organization effectively, our business, financial condition, results of operations and prospects may be adversely affected. If we are unable to successfully navigate these challenges to re-igniting growth and maintaining profitability over the longer term, our business prospects will be materially and adversely affected.

Our quarterly operating results fluctuate, which could cause our stock price to decline.

Our quarterly operating results fluctuate for a variety of reasons, many of which are beyond our control. Our revenue has fluctuated for a variety of reasons, including the seasonality of market transactions; our success in attracting new and maintaining relationships with existing retail and ecommerce partners; our success in executing on our strategy and the impact of any changes in our strategy; the timing and success of product launches, including new products that we may introduce; the success of our marketing efforts; general market conditions; disruptions or defects in our technology platform, such as privacy or data security breaches, errors in our software or other incidents that impact the availability, reliability, or performance of our platform; the impact of competitive developments and our response to those developments; supply chain issues; and our ability to recruit and retain employees. Historically, we have realized a higher portion of our net revenues in the first quarter when customers are focused on improving their lifestyle and quality of living, which we believe makes our products and marketing messages particularly appealing, and a lower portion of our net revenues in the fourth quarter when many customers are focused on holiday shopping. In addition, our operating expenses fluctuate from period to period, in part in anticipation of their seasonality.

Fluctuations in our quarterly operating results may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the price of our common stock to decline. Fluctuations in our results could also cause other problems, including, for example, analysts or investors changing their models for valuing our common stock. We could experience short-term liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise.

We believe that our quarterly operating results may vary in the future and that period-to-period comparisons of our operating results may not be meaningful. Any seasonal effects may change or become more pronounced over time, which could also cause our operating results to fluctuate. You should not rely on the results of any given quarter as an indication of future performance.

We have incurred significant losses since inception, we expect to incur losses in the future, and we may not be able to generate sufficient revenue to achieve and maintain profitability.

We have incurred significant losses since our inception. For the years ended December 31, 2023, 2022 and 2021 we incurred net losses of $43.2 million, $87.7 million and $135.9 million, respectively. As of December 31, 2023, we had an accumulated deficit of $621.1 million.

We expect to continue to incur significant expenses and operating losses for the foreseeable future as we broaden our customer base, expand our retail distribution platform, enhance our existing online direct-to-consumer website and mobile application, continue to expand research and development efforts to grow the product assortment offered by our Grove-owned brands, acquire or create additional Grove-owned brands, and hire additional employees to support our growth. Historically, Grove has devoted most of its financial and other resources on sales and marketing, including a significant expansion of our marketing team and budget; continued expansion of our business; research and development related to our products; and general administration expenses, including legal, accounting and other expenses. We may not succeed in increasing our revenues, which historically have been reliant on our online direct-to-consumer website and mobile application, in a manner that will be sufficient to offset these higher expenses. Any failure to increase our revenues as we implement initiatives to grow our business could prevent us from achieving profitability. We cannot be certain that we will be able to achieve profitability on a quarterly or annual basis. If we are unable to address these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

We will require additional financing to achieve our goals, and a failure to obtain this necessary capital when needed could force us to delay, limit, or reduce our investments in advertising and other strategic initiatives planned for future growth.

We expect to continue to incur significant expenses for the foreseeable future. We believe that our existing cash and cash equivalents will be sufficient to fund our planned operations for at least the next 12 months. However, our operating plan may change as a result of many factors, and we may need or decide to seek additional funds sooner than planned.

In July 2022, we entered into a Standby Equity Purchase Agreement (the “Equity Purchase Agreement”) with YA II PN, Ltd. (“Yorkville”), whereby we have the right, but not the obligation, to sell to Yorkville up to $100.0 million of our shares of common stock at our request until July 18, 2025, subject to certain conditions. The shares of our common stock that may be issued under the Equity Purchase Agreement may be sold by us to Yorkville at our discretion from time to time and sales of our common stock under the Equity Purchase Agreement will depend upon market conditions and other factors. Additionally, in no event may we sell more than 6,511,532 shares of our common stock to Yorkville under the Equity Purchase Agreement, which number of shares is equal to 19.99% of the shares of the Company's common stock outstanding immediately prior to the execution of the Equity Purchase Agreement (the “Exchange Cap”), unless we obtain stockholder approval to issue shares of common stock in excess of the Exchange Cap in accordance with applicable NYSE rules or comply with certain other requirements as described in the Equity Purchase Agreement. As a result, unless our stock price exceeds $15.33, we will be unable to sell the full $100.0 million commitment to Yorkville without seeking stockholder approval to issue additional shares in excess of the Exchange Cap. As of February 29, 2024, under the terms of the Equity Purchase Agreement we would be able to raise gross proceeds of approximately $11.9 million. We may ultimately decide to sell all or some of the shares of our common stock that may be available for us to sell pursuant to the Equity Purchase Agreement. Because the purchase price per share to be paid by Yorkville for the shares of common stock that we may elect to sell under the Equity Purchase Agreement will fluctuate based on the market prices of our common stock during the applicable pricing period for each of those sales, it is not possible for us to predict, as of the date of this report and prior to any such sales, the number of shares of common stock that we will sell under the Equity Purchase Agreement, the purchase price per share or the aggregate gross proceeds that we will receive from those purchases under the Equity Purchase Agreement. Further, the resale by Yorkville of a significant amount of shares at any given time, or the perception that these sales may occur, could cause the market price of our common stock to decline and to be highly volatile.

In December 2022, we entered into a Loan and Security Agreement (the “Loan Agreement”) with Ocean II PLO LLC as administrative and collateral agent, and the lending institutions party thereto that replaced our existing credit facilities by and among (i) Grove and Silicon Valley Bank dated as of July 29, 2020 and (ii) Grove, Silicon Valley Bank, as administrative agent and collateral agent thereunder and the lenders party thereto, dated as of July 29, 2020. Among other things, the Loan Agreement provides for a four-year $72.0 million term loan. The term loan bears interest at the greater of (i) fifteen percent (15.0%), and (ii) seven and one-half of one percent (7.50%) plus the Prime Rate then in effect. Our obligations under the Loan Agreement may be accelerated or the commitments terminated upon the occurrence of an event of default under the Loan Agreement, which includes payment events of default, breaches in the performance of certain affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy and insolvency related events of default, events of default arising in connection with changes in control and other customary events of default. Any such acceleration could have a material adverse effect on our business, results of operations, financial condition and prospects.

While we expect to continue to opportunistically seek access to additional funds by utilizing the Equity Purchase Agreement, through additional public or private equity offerings or debt financings, through partnering or other strategic arrangements, or a combination of the foregoing, additional funds may not be available when we need them on terms that are acceptable to us, or at all. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Debt financing arrangements may require us to pledge certain assets or enter into covenants that could restrict our operations or our ability to pay dividends or other distributions on our common stock or incur further indebtedness. Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide, including the trading price of common stock. If adequate funds are not available to us on a timely basis, we may be required to delay, limit, reduce our investments in advertising and other strategic initiatives planned for future growth, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Success of our retail and product innovation strategies depends on a variety of factors including, but not limited to, our ability to obtain additional financing, costs to scale, global economic downturns and other macroeconomic conditions or trends.

Our ability to successfully increase our retail presence and investment on product innovation depends on several factors, including, but not limited to, obtaining additional financing, our ability to execute our growth strategy, the level of investment required to scale, and external factors such as global economic slowdowns and changing customer preferences. Failure to effectively manage these risks and investments could have a material adverse effect on our business, financial condition, and results of operations.

Expanding our retail presence may require significant investments in infrastructure, including facilities, technology, and personnel. These investments may be more significant than anticipated, and we may not be able to generate sufficient revenue through retail channels to offset these costs, which could negatively impact our financial performance. We may also experience delays or unexpected difficulties in our plan, which could result in lost opportunities and harm our relationships with existing and potential customers.

Our retail success may also be affected by global economic slowdowns or other macroeconomic factors beyond our control. An economic slowdown could lead to decreased consumer spending, which could reduce demand for our products.

There can be no assurance that we will be able to achieve sufficient levels of sales, profitability, or market acceptance to justify our investments in expanding our retail presence and innovate new products. Additionally, the success of our retail expansion and product development will depend on our ability to compete effectively against established and emerging competitors, some of whom may have greater financial, marketing, and other resources than us.

We may not be able to compete successfully.

The markets in which we compete are evolving rapidly and intensely competitive, and we face a broad array of competitors from many different industry sectors.

Our business includes a variety of product types and delivery channels. Our current and potential competitors include: (1) companies that sell household and personal care products online and in physical stores; (2) physical, e-commerce, and omnichannel retailers, vendors, distributors, and manufacturers of the products we offer and sell to consumers; and (3) web search engines, comparison shopping websites, social networks, and other online and app-based means of discovering, using, or acquiring goods, either directly or in collaboration with other retailers. We compete based on various product attributes, including sustainability, price, and quality.

We compete with producers of household and personal care products and e-commerce and traditional sales outlets for these products. Some of our competitors are also our partners and we distribute their products. In addition, there is a risk that our emerging retail distribution partnerships will erode the success of our DTC e-commerce business. Some of our current and potential competitors have longer histories, larger fulfillment infrastructures, better established wholesale and retail distribution networks, faster shipping times, lower-cost shipping, lower operating costs, larger consumer bases, and greater control over inputs critical to our business such as financial, marketing, institutional and other resources, and larger consumer bases than we do. They may secure better terms from suppliers, adopt more aggressive pricing, pursue restrictive distribution agreements that restrict our access to supply, direct consumers to their own offerings instead of ours, and devote more resources to research and development, technology, infrastructure, fulfillment, and marketing and develop products or services that are similar to ours or that achieve greater market acceptance. The Internet facilitates competitive entry and comparison shopping, which enhances the ability of new, smaller, or lesser-known businesses to compete against us. Our business is subject to rapid change, the development of new business models and the entry of new and well-funded competitors. Other companies also may enter into business combinations or alliances that strengthen their competitive positions. Competition may adversely affect our business, operating results and financial condition.

Competition in the natural and sustainable consumer products market presents an ongoing threat to the success of our business.

The number of companies entering the natural and sustainable consumer products market with offerings similar to ours continues to increase. We believe that our ability to compete depends upon many factors both within and beyond our control, including the size of our customer base; the timing and market acceptance of products, including the developments and enhancements to those products and services that we or our competitors offer; customer service and support efforts, selling and marketing efforts, ease of use, performance, price and reliability of the products and services that we and our competitors develop, and our brand strength relative to our competitors. Some of our current and potential competitors have longer operating histories and greater financial, technical, marketing and other resources than we do. These factors may allow our competitors to respond more quickly or efficiently than we can to new or emerging technologies. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger customer bases than ours or greater market acceptance than us.

We must find sustainable solutions that support our brand and long-term growth.

We are committed to making meaningful gains throughout our business practices as it relates to sustainability. In the current landscape of diminishing resources amidst dramatically increasing demand for these resources, it is critical we adopt more sustainable business practices through product innovation and sustainable sourcing. To succeed, we are dependent on the efforts of partners and various certification bodies. Our failure to continuously adopt leading sustainable business practices could limit business growth and profit potential, and damage our corporate reputation.

If we fail to cost-effectively acquire new consumers or retain our existing consumers, our business could be adversely affected.

Our success depends on our ability to attract new customers and engage existing customers cost-effectively. To acquire and engage customers, we must, among other things, promote and sustain our platform, provide high-quality products, user experiences, and customer service. If customers do not perceive our e-commerce service or products to be reliable, sustainable and of high quality, if we fail to introduce new and improved products and services, or if we introduce new products or services that are not favorably received by the market, we may not be able to attract or retain customers.

We have historically acquired a significant number of our customers through digital advertising on social media channels owned by Facebook that may, along with other social media platforms we may engage in the future, terminate their agreements with us at any time or introduce factors beyond our control, such as such as adjustments to algorithms that may decrease user engagement or negatively affect our ability to reach a broad audience; increase pricing; and change their policies which may have the effect of delaying or preventing our advertising through these channels, all of which could impact our ability to attract new customers.

We have also diversified our marketing initiatives designed to acquire customers through increased emphasis on search engine optimization, streaming digital video services, and linear television. These new acquisition channels may not perform as well as our historical social media advertising channels. Our efforts to diversify customer acquisition channels may not be effective, which could negatively affect our results of operations.

Customer acquisition costs may fluctuate and rise on the channels that have been successful for us historically and on new channels that we are introducing. Rising costs may limit our ability to expand or maintain our acquisition efforts which could negatively affect our results of operations.

Changes to our DTC business designed to attract new customers and retain existing customers, including, but not limited to expanded shopping personalization, non-subscription options, and user generated and editorial content may not perform as well as our historical DTC platform which could negatively impact our results of operations. We recently updated our e-commerce experience. Our initial implementation of these changes resulted in lower first order conversion rates in 2023, which contributed to a reduction in our marketing spend. We made changes to our first order experience in and plan to continue to do so that we expect to increase our total addressable customer base, improve first order conversion, and reintroduce dormant customers to the our platform. The changes involve the removal of gated access and default subscriptions and the creation of incentives for customers to opt into a program where they can subscribe to our service to save on their purchases of individual products. The changes also involve our offering discounts for repeat orders and free gifts to incentivize basket building. The changes may not be successful in offsetting the reduction in conversion rate that we experienced or may not be successful for other reasons. If they are not successful our business, operating results and financial condition will be harmed.

Other factors may reduce our ability to acquire, maintain and further engage with customers, including the effectiveness of our marketing efforts and other expenditures we make to continue to acquire new customers and maintain and increase engagement with existing customers; system updates to app stores and advertising platforms; changes in search algorithms by search engines; the development of new search engines or social media sites that reduce traffic on existing search engines and social media sites; and changes in consumer behavior.

In addition, we believe that many of our new customers originate from word-of-mouth and other non-paid referrals from existing customers, including referral discounts and gift giving, so we must ensure that our existing customers remain loyal and continue to derive value from our products and services in order to continue receiving those referrals. Consequently, if our efforts to satisfy our existing customers are not successful, we may not be able to attract new customers.

Moreover, consumer preferences may change, and customers may not purchase through our marketplace as frequently or spend as much with us as historically has been the case. As a result of these potential changes, the revenue generated from customer transactions may not be as high as revenue generated from transactions historically.

Our reduction of this spending to achieve profitability may adversely affect our brand awareness. Maintaining consumer awareness of our brand, building brand loyalty and generating interest in our products requires substantial spending on advertising and marketing.

To remain competitive, expand and keep market share for our products across our various channels, we need to expend substantial resources on marketing and advertising. Our reduction in advertising and promotional expenditures to achieve profitability and such operating expenses in recent years may harm our brand's market position. We are engaging with more traditional media, such as television and web-based streaming service in efforts to improve efficiency of our marketing spend, but these efforts may not prove successful. Any increase in our marketing and advertising efforts may not maintain our current reputation, lead to increased brand awareness, or attract new customers. If we are unable to maintain and promote a favorable perception of our brand and products on a cost-effective basis, our business, financial condition, results of operations and prospects could be adversely affected.

Our brand and reputation may be diminished due to real or perceived quality, safety, efficacy or environmental impact issues with our products, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We believe our consumers rely on us to provide them with clean, sustainable, well-designed, and effective products. Any loss of confidence on the part of consumers in our products or the ingredients used in our products, whether related to actual or perceived product contamination, product safety or quality failures, environmental impacts, or inclusion of prohibited ingredients, or ingredients that are perceived to be "toxic," could tarnish the image of our brand and could cause consumers to choose other products. Allegations of contamination or other adverse effects on product safety, efficacy or suitability for use by a particular consumer or on the environment, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our ability to achieve or maintain profitability and brand image.

If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with consumers could suffer, the appeal of our brand could be diminished, we may need to recall some of our products and/or become subject to regulatory action, and we could lose sales or market share or become subject to boycotts or liability claims. In addition, safety or other defects in our competitors' products or products using the Grove name in other consumer categories, could reduce consumer confidence in or demand for our own products if consumers view them to be similar. Any such adverse effect could be exacerbated by our market positioning as a purveyor of clean, sustainable, well-designed, and effective products and may significantly reduce our brand value. Issues regarding the safety, efficacy, quality or environmental impact of any of our products, regardless of the cause, may have an adverse effect on our brand, reputation and operating results.

Further, our customers may engage with us online through social media platforms by providing feedback and public commentary about all aspects of our business. Information concerning us, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Failure to introduce new products that meet the expectations of our customers may adversely affect our ability to continue to grow.

We have a limited history introducing new products and services to our customers. New potential products and services may fail at any stage of development or commercialization, including after launch, and if we determine that any of our current or future products are unlikely to succeed, we may abandon them without any return on our investment. In addition, any unsuccessful effort may adversely affect our brand and reputation. If our efforts to attract new customers and engage existing customers with new and enhanced products are unsuccessful or if such efforts are more costly than we expect, our business may be harmed and our potential for growth may be impaired.

Government regulation of the Internet and ecommerce is evolving, and unfavorable changes or failure by us to comply with these regulations could have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and ecommerce, including consumer protection regulations that regulate retailers and govern the promotion and sale of merchandise. Existing and future regulations and laws could impede the growth of the Internet, ecommerce or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection, sales practices, subscription programs and Internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or ecommerce. It is possible that general business regulations and laws, or those specifically governing the Internet or ecommerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile applications by customers and suppliers and may result in the imposition of monetary liabilities and burdensome injunctions that could, for example, require changes to our business practices. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could have an adverse effect on our business, financial condition, results of operations and prospects.

We may become subject to product liability claims, which could materially harm our reputation, financial condition, and liquidity if we are not able to successfully defend or insure against such claims.

Selling consumer product goods and personal care products involves inherent legal and other risks, and there is increasing governmental scrutiny of, and public awareness regarding, product safety. Such products are highly regulated by numerous government agencies.

Some of the products we sell or manufacture expose us to product liability claims relating to personal injury or illness, death, or environmental or property damage, and can require product recalls or other actions. Third parties who sell products using our services also expose us to product liability claims. We maintain liability insurance; however, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In addition, some of our agreements with our vendors and sellers do not indemnify us from product liability.

Adverse reactions, including illnesses, injury or death related to ingredients, allergens, or foreign material contamination in our products or other product safety incidents or efficacy failures with our products, or involving our suppliers, could result in the disruption or discontinuance of sales of these products or our relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions (e.g., seizure), and harm to our reputation.

Shipment of adulterated, misbranded or expired products, even if inadvertent or the fault of a third-party supplier, can result in criminal or civil liability. Such incidents could also expose us to product liability, negligence or other lawsuits, including consumer class action lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is more than our policy limits or not covered by our policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources.

The occurrence of adverse reactions, ineffectiveness or other safety incidents associated with our products could also adversely affect the price and availability of affected ingredients or products, resulting in higher costs, disruptions in supply and a reduction in our sales. Furthermore, any safety, contamination, defects, or regulatory noncompliance issues, whether or not caused by our actions, could compel us, our suppliers, our retail or ecommerce customers, or our consumers, depending on the circumstances, to conduct a recall in accordance with requests from the FDA, the Consumer Product Safety Commission, or CPSC, the USDA, the U.S. Environmental Protection Agency, or EPA, or other federal, state or local authorities. Product recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing retail or ecommerce partners or consumers, negative publicity and a potential negative impact on our ability to attract new consumers due to negative consumer experiences or because of an adverse impact on our brand and reputation. The costs of a recall could be outside the scope of our existing or future insurance policy coverage or limits.

Companies that sell consumer and personal care products have also been subject to targeted, large-scale tampering as well as to opportunistic, individual product tampering, and we, like any such company, could be a target for product tampering. Forms of tampering could include the introduction of foreign material, chemical contaminants and pathological organisms into products, as well as product substitution. Governmental regulations require companies like us to analyze, prepare and implement mitigation strategies specifically to address tampering designed to inflict widespread public health harm. If we do not adequately address the possibility, or any actual instance, of product tampering, we could face possible seizure or recall of our products and the imposition of civil or criminal sanctions, which could have an adverse effect on our business, financial condition, results of operations and prospects.

We are subject to a number of other laws and regulations, which could impact our business.

We are subject to a broad range of federal, state, local, and foreign laws and regulations intended to protect public and worker health and safety, natural resources, the environment and consumers. Our operations are subject to regulation by the Occupational Safety and Health Administration (“OSHA”), the FDA, the CPSC, the USDA, the FTC, EPA, and by various other federal, state, local and foreign authorities regarding the manufacture, processing, packaging, storage, sale, order fulfillment, advertising, labeling, import and export of our products. In addition, we and our manufacturing partners are subject to additional regulatory requirements, including environmental, health and safety laws and regulations administered by the EPA, state, local and foreign environmental, health and safety legislative and regulatory authorities and the National Labor Relations Board, covering such areas as discharges and emissions to air and water, the use, management, disposal and remediation of, and human exposure to, hazardous materials and wastes, and public and worker health and safety, and Current Good Manufacturing Practice requirements, or GMPs, enforced by the FDA.

In addition, as the provider of products with a subscription-based element, a variety of laws and regulations govern the ability of users to cancel subscriptions and auto-payment renewals. California’s automatic renewal law in particular has been the basis for both consumer class actions and government enforcement.

Violations of or liability under any of these laws and regulations may result in administrative, civil or criminal fines, penalties or sanctions against us, revocation or modification of applicable permits, licenses or authorizations, environmental, health and safety investigations or remedial activities, voluntary or involuntary product recalls, warning or untitled letters or cease and desist orders against operations that are not in compliance, among other things. Such laws and regulations generally have become more stringent over time and may become more so in the future, and we may incur (directly, or indirectly through our manufacturing partners) material costs to comply with current or future laws and regulations or in any required product recalls. For example, in the last few years, California, New York, Illinois, Delaware, and Colorado all enacted more robust requirements regulating subscription programs.

Liabilities under, and/or costs of compliance, and the impacts on us of any non-compliance, with or investigations under any such laws and regulations could have an adverse effect on our business, financial condition, results of operations and prospects. For example, the Consumer Protection Division of the Santa Clara County District Attorney's Office, in conjunction with other county and city prosecutors, is currently investigating our automatic renewal practices, and the Federal Trade Commission is currently investigating our billing and automatic renewal practices, and the cost of responding to their information requests could be significant irrespective of the outcome of the investigation. We may be subject to future claims under auto-payment renewal laws and regulations that could have a material adverse effect on our business. In addition, changes in the laws and regulations to which we are subject, or in the prevailing interpretations of such laws and regulations by courts and enforcement authorities, could impose significant limitations and require changes to our business, which may increase our compliance expenses, make our business more costly and less efficient to conduct, and compromise our growth strategy, which could have an adverse effect on our business, financial condition, results of operations and prospects.

Our products are also subject to state laws and regulations, such as California's Proposition 65 ("Prop 65"), which requires a specific warning on any product that causes an exposure to a substance listed by the State of California as known to cause cancer, birth defects or other reproductive harm, unless the exposure is below the warning level. We have in the past been subject to lawsuits brought under Prop 65, and if we fail to comply with Prop 65 in the future, it may result in lawsuits and regulatory enforcement that could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. Further, the inclusion of warnings on our products to comply with Prop 65 could also reduce overall consumption of our products or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs, all of which could adversely affect our reputation, business, financial condition, results of operations and prospects.

Our business of selling dietary supplements and human and pet foods are subject to laws and regulations that govern the warehousing of such products. Complying with these laws and regulations increases the cost of our selling these products. If we are not able to maintain an acceptable cost or if we are found not to be in compliance with these laws and regulations, our business, operating results, and financial condition may be harmed.

We have pursued and may in the future pursue acquisitions to expand our business, and if any of those acquisitions are unsuccessful, our business may be harmed.

Our strategy may include the expansion of our business through the acquisition of other businesses, products or technologies, or through strategic alliances. Acquisitions involve numerous risks, including the possibility that we will pay more than the value we derive from the acquisitions which could result in future non-cash impairment charges, and incremental operating losses; difficulties in integration of the operations, technologies and products of the acquired companies, which may require significant attention of our management that otherwise would be available for the ongoing development of our business; the assumption of certain known and unknown liabilities of the acquired companies; difficulties in retaining key relationships with employees, customers, collaborators, vendors and suppliers of the acquired company; and in the case of acquisitions outside of the jurisdictions where we currently operate, the need to address the particular economic, currency, political, and regulatory risks associated with specific countries, particularly those related to our collection of sensitive data, regulatory approvals, and tax management, which may result in significant additional costs or management overhead for our business. Failure to successfully address any of these or other unforeseen challenges would adversely affect our business.

We may experience damage or destruction to our distribution centers, which may harm our business, results of operations and financial condition.

Our distribution centers, as well as our headquarters, are located in areas that have a history of natural disasters, including severe weather events, rendering our distribution centers vulnerable to damage. Any large-scale damage, to or catastrophic loss of products stored in our distribution centers due to natural disasters or man-made disasters such as arson, theft, power disruptions, computer viruses, data security breaches or terrorism, could result in the reduction in value of our inventory and a significant disruption in our business. Further, natural disasters such as earthquakes, hurricanes, tornadoes, fires, floods and other adverse weather and climate conditions; unforeseen health crises, such as pandemics and epidemics, political crises, such as terrorist attacks, war and other political instability; or other catastrophic events, could disrupt our operations in any of our offices, our remote workforce and distribution centers. Such events may in the future slow or temporarily halt our operations and harm our business, results of operations and financial condition.

We are dependent on our management team, and the loss of one or more key employees or groups could harm our business and prevent us from implementing our business plan in a timely manner.

Our success depends substantially upon the continued services of our executive officers and other key members of management, particularly our Chief Executive Officer. From time to time, there may be changes in our executive management team resulting from the hiring or departure of executives. For example, our former Chief Executive Officer became executive chairman of the Company and we hired a new Chief Executive Officer. Such changes in our executive management team may be disruptive to our business. We do not have employment agreements with any of our executive officers or key management personnel and, therefore, they could terminate their employment with us at any time. We do not maintain key person life insurance policies on any of our employees. The loss of one or more of our key employees or groups could seriously harm our business.

Labor-related matters, including labor disputes, may adversely affect our operations.

None of our employees are currently represented by a union. If our employees decide to form or affiliate with a union, we cannot predict the negative effects such future organizational activities will have on our business and operations. If we were to become subject to work stoppages, we could experience disruption in our operations, including delays in merchandising operations and shipping, and increases in our labor costs, which could harm our business, results of operations and financial condition.

Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution, infrastructure and logistics to third-party providers, and the loss of any of our key suppliers or logistical service providers could negatively impact our business.

All of the products we offer are supplied or manufactured by a limited number of third-party suppliers and manufacturers, and as a result, we may be subject to price fluctuations or supply disruptions. Our operating results would be negatively impacted by increases in the costs of our products, and we have no guarantees that costs will not rise. In addition, as we expand into new categories and product types, we expect that we may not have strong purchasing power in these new areas, which could lead to higher costs than we have historically seen in our current categories. We may not be able to pass increased costs on to consumers, which could adversely affect our operating results. Moreover, in the event of a significant disruption in the supply of the materials used to manufacture the products we offer, we and the vendors that we work with might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Furthermore, our reliance on suppliers and manufacturers outside of the United States, many of which are located in China, the number of third parties with whom we transact and the number of jurisdictions to which we sell complicates our efforts to comply with customs duties and excise taxes; any failure to comply could adversely affect our business.

In addition, products and merchandise we receive from manufacturers and suppliers may not be of sufficient quality or free from damage, or such products may be damaged during shipping, while stored in our warehouse fulfillment centers or with third-party ecommerce or retail customers or when returned by consumers. We may incur additional expenses and our reputation could be harmed if consumers and potential consumers believe that our products do not meet their expectations, are not properly labeled or are damaged. Quality control problems could also result in regulatory action, such as FDA Warning Letters, restrictions on importation, product liability litigation, product seizures, products of inferior quality or product stock outages or shortages, harming our sales and creating inventory write-downs for unusable products.

We purchase significant amounts of product from a limited number of suppliers with limited supply capabilities. There can be no assurance that our current suppliers will be able to accommodate our demand or continue to supply current quantities at preferential prices. In the past, we have experienced supply shortages of certain goods that have resulted in lost sales. We generally do not maintain long-term supply contracts with any of our suppliers and any of our suppliers could discontinue selling to us at any time. An inability of our existing suppliers to provide materials in a timely or cost-effective manner could impair our growth and have an adverse effect on our business, financial condition, results of operations and prospects.

We rely or may rely on SaaS technologies from third parties in order to operate critical functions of our business, including financial management services, payment processing, customer relationship management services, website platform services, ecommerce services, email services, supply chain services and data storage services. If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices or for any other reason, or if we fail to migrate successfully to new services, our expenses could increase, our ability to manage our finances could be interrupted, our processes for managing sales of our offerings and supporting our consumers could be impaired, our ability to communicate with our suppliers could be weakened and our ability to access or save data stored to the cloud may be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could have an adverse effect on our business, financial condition, results of operations and prospects.

We utilize cloud services from third-party data center facilities operated by Amazon Web Services, or AWS. Any damage to, failure of or interference with our cloud service that is hosted by us, AWS or by third-party providers we may utilize in the future, whether as a result of our actions, actions by the third-party data centers, actions by other third parties, or acts of God, could result in interruptions in our cloud service and/or the loss of our or our customers' data, including personal information. Impairment of, or interruptions in, our cloud services may subject us to claims and litigation and adversely affect our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our services are unreliable. Additionally, any limitation of the capacity of our data centers could impede our ability to scale, onboard new customers or expand the usage of existing customers, which could adversely affect our business, financial condition and results of operations. While we have some disaster recovery arrangements in place, our preparations may not be adequate to account for disasters or similar events that may occur in the future and may not effectively permit us to continue operating in the event of any problems with respect to our systems or those of our third-party data centers or any other third-party facilities. Our disaster recovery and data redundancy measures may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur.

If any of our key suppliers becomes insolvent, ceases or significantly reduces its operations or experiences financial distress, or if any environmental, economic or other outside factors impact their operations, our operations could be substantially disrupted. If we are unable to identify or enter into distribution relationships with new suppliers or to replace the loss of any of our existing suppliers, we may experience a competitive disadvantage, our business may be disrupted and our business, financial condition, results of operations and prospects could be adversely affected.

If our third-party suppliers and manufacturers do not comply with ethical business practices or with applicable laws and regulations, our reputation, business, financial condition, results of operations and prospects could be harmed.

We continually seek to expand our base of suppliers, especially as we identify new products that necessitate new or additional materials. We also require our new and existing suppliers to meet our ethical and business partner standards. Suppliers may also have to meet governmental and industry standards and any relevant standards required by our consumers, which may require additional investment and time on behalf of suppliers and us.

Our reputation and our consumers' willingness to purchase our products depend in part on our suppliers', manufacturers', and retail partners' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers, manufacturers, and retail partners and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers, manufacturers, or retail partners fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed, and we could be exposed to litigation, investigations, enforcement actions, monetary liability, and additional costs that would harm our reputation, business, financial condition, results of operations and prospects.

If we or our distribution partners do not successfully optimize, operate and manage the expansion of the capacity of our warehouse fulfillment centers, our business, financial condition, results of operations and prospects could be adversely affected.

We operate warehouse fulfillment centers located in Reno, Nevada, Elizabethtown, Pennsylvania, and St. Peters, Missouri and contract with a third party for the fulfillment of our products distributed to our retail partners. We have made the decision to close our Missouri location in the second quarter of 2024 to optimize for cost and operational efficiencies. If we do not successfully optimize and operate our warehouse fulfillment centers successfully and efficiently, it could result in excess or insufficient fulfillment capacity, an increase in costs or impairment charges or harm our business in other ways. In addition, if we do not have sufficient fulfillment capacity or experience a problem fulfilling orders in a timely manner, our consumers may experience delays in receiving their purchases, which could harm our reputation and our relationship with our consumers.

We have designed and established our own fulfillment center infrastructure, including customizing inventory and package handling software systems, which is tailored to meet the specific needs of our business. If we add fulfillment and warehouse capabilities, add new businesses or categories with different fulfillment requirements or change the mix in products that we sell, our fulfillment network will become increasingly complex and operating it will become more challenging. In connection with our decision to close one of our fulfillment facilities, we will need to move fulfillment capacity to our other fulfillment centers. We could face difficulty in such a transition and it could result in shipping delays, an increase in our shipping costs or other adverse circumstances, which could harm our business, financial condition and results of operations.

Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results.

We rely on several vendors for our shipping requirements. If we are not able to negotiate acceptable pricing and other terms with these vendors or if they experience performance problems or other difficulties, it could negatively impact our operating results and our consumer experience. Rising shipping costs and the imposition of surcharges from time to time could negatively impact our operating results. In addition, our ability to receive inbound inventory and ship products to consumers and retailers may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism, trade embargoes, customs and tax requirements and similar factors. For example, the invasion of Ukraine by Russia in February 2022 temporarily raised costs related to shipping and our supply chain. We are also subject to risks of damage or loss during delivery by our shipping vendors. If our products are not delivered in a timely fashion or are damaged or lost during delivery, our consumers could become dissatisfied and cease shopping on our site or retailer or third-party ecommerce sites that carry our products, which could have an adverse effect on our business, financial condition, operating results and prospects.

Risks associated with the outsourcing of our fulfillment process and other technology-related functions could materially and adversely affect our business, financial condition, and results of operations.

We have outsourced portions of our fulfillment process, as well as certain technology-related functions, to third-party service providers. Specifically, we rely on third parties in a number of foreign countries and territories. We are dependent on third-party vendors for credit card processing and use third-party hosting and networking providers to host our sites. We also contract with a third-party fulfillment provider for the distribution of our products to our retail partners. The failure of one or more of these entities to provide the expected services on a timely basis, or at all, or at the prices we expect, or the costs and disruption incurred in changing these outsourced functions to be performed under our management and direct control or that of a third party, could have an adverse effect on our business, financial condition, results of operations and prospects. We are not party to long-term contracts with some of our retail and ecommerce partners, and upon expiration of these existing agreements, we may not be able to renegotiate the terms on a commercially reasonable basis, or at all.

We are subject to risks related to online payment methods, including third-party payment processing-related risks.

We currently accept payments using a variety of methods, including credit card, debit card, and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud and other risks. We also rely on third parties to provide payment processing services, and for certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and affect our ability to achieve or maintain profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard, or PCI-DSS, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we (or a third party processing payment card transactions on our behalf) suffer a security breach affecting payment card information, we may be subject to lawsuits, have to pay onerous and significant fines, penalties and assessments arising out of the major card brands' rules and regulations, contractual indemnifications or liability contained in merchant agreements and similar contracts, and we may lose our ability to accept payment cards for payment for our goods and services, any of which could materially impact our operations and financial performance.

Furthermore, as our business changes, we may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. As we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs.

We also occasionally receive orders placed with fraudulent data and we may ultimately be held liable for the unauthorized use of a cardholder's card number in an illegal activity and be required by card issuers to pay charge-back fees. Charge-backs result not only in our loss of fees earned with respect to the payment, but also leave us liable for the underlying money transfer amount. If our charge-back rate becomes excessive, card associations also may require us to pay fines or refuse to process our transactions. In addition, we may be subject to additional fraud risk if third-party service providers or our employees fraudulently use consumer information for their own gain or facilitate the fraudulent use of such information. Overall, we may have little recourse if we process a criminally fraudulent transaction. If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

We are seeking to expand our offering of our own branded products in retail stores and platforms and our inability to secure, maintain and increase our presence in retail stores could adversely impact our revenue.

Our omnichannel strategy includes selling our products through third-party ecommerce and retail partners (including their websites). Our retail operations were established in 2021 and include sales to retail stores and their related websites. Our future growth in initiatives depend in part on our continuing development of strong relationships with major retail chains. Despite our expansion into additional retailers, Target remains our largest retail partner, and our experience operating through the retail channel is limited. Factors that could affect our ability to maintain or expand our sales and our current or any future retail distribution partners include: failure to accurately identify the needs of our customers; a lack of customer acceptance of new products or product expansions; unwillingness of our retail distribution partners and customers to attribute premium value to our new or existing products or product expansions relative to competing products; failure to obtain floor space from retail distribution partners, new, well-received product introductions by competitors; damage to our relationships with our retail distribution partners due to brand or reputational harm; delays or defaults on our retail distribution partners' payment obligations to us; and store closures, decreased foot traffic, recession or other adverse effects resulting from public health crises.

The loss of our relationship with Target or other current or future large retail partners could have a significant impact on our revenue growth. In addition, we may be unable to secure adequate shelf space in new markets, or any shelf space at all, until we develop relationships with the retailers that operate in such markets. We may not be successful in developing those relationships. Consequently, growth opportunities through our retail operations may be limited and our revenue, business, financial condition, results of operations and prospects could be adversely affected if we are unable to successfully establish relationships with other retailers in new or current markets. To date, our retail sales have not comprised a significant percentage of our total revenue.

We also face competition to display our products on store shelves and obtain optimal presence on those shelves. Due to the intense competition for limited shelf space, retailers are in a position to negotiate favorable terms of sale, including price discounts, allowances and product return policies. To the extent we increase discounts or allowances in an effort to secure shelf space, our operating results could be adversely affected. We may not be able to increase or sustain our volume of retail shelf space or offer retailers price discounts sufficient to overcome competition. As a result, our retail distribution channels may not continue to grow and may shrink, and our sales and results of operations could be adversely affected. In addition, many of our competitors have significantly greater financial, manufacturing, marketing, management and other resources than we do, and may have greater name recognition, a more established distribution network and a larger base of wholesale customers and distributors. Furthermore, our retail sales, to the extent successful, may compete with and erode our DTC business. If we are unable to address these challenges, our business may be adversely affected.

We may be unable to adequately obtain, maintain, protect, defend and enforce our intellectual property rights.

Our ability to compete effectively is dependent in part upon our ability to obtain, maintain, protect, defend and enforce our intellectual property and other proprietary rights, including our proprietary technology. We establish and protect our intellectual property and proprietary rights, including our proprietary information and technology, through a combination of confidentiality procedures and other contractual provisions, as well as through patent, trademark, copyright, trade secret and other intellectual property laws in the United States and similar laws in certain other jurisdictions. However, the steps we take to obtain, maintain, protect, defend and enforce our intellectual property and proprietary rights may be inadequate. There can be no assurance that these protections will be available in all cases or will be adequate to prevent our competitors or other third parties from copying, reverse engineering, accessing or otherwise obtaining and using our technology, intellectual property or proprietary rights or solutions without our permission.

We pursue the registration of certain aspects of our intellectual property in the U.S. and other countries. We are seeking to protect certain aspects of our intellectual property in an increasing number of jurisdictions, a process that is expensive and time-consuming and may not be successful or which we may not pursue in every jurisdiction in which we conduct business. As we apply to register our unregistered trademarks in the U.S. and other countries, our applications may not be allowed for registration in a timely fashion or at all, and our registered trademarks may not be maintained or enforced. In addition, third parties may oppose our trademark and service mark applications or trademark registrations, or otherwise challenge our use of the trademarks and service marks. In certain countries outside of the U.S., trademark registration is required to enforce trademark rights. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would. We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our intellectual property.

Worldwide, we have 18 issued patents and 8 patent applications pending. We cannot offer any assurances about which, if any, patents will issue from our applications, the breadth of any such patents, or whether any issued patents will be found invalid and unenforceable or will be threatened by third parties. Any successful opposition to these patents or any other patents owned by or, if applicable in the future, licensed to us could deprive us of rights necessary for the successful commercialization of products that we may develop. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain that we were the first to file on the technologies covered in several of the patent applications related to our technologies or products. Furthermore, a derivation proceeding can be provoked by a third party, or instituted by the U.S. Patent and Trademark Office (USPTO), to determine who was the first to invent any of the subject matter covered by the patent claims of our applications.

Enforcement of our intellectual property rights may be difficult and may require considerable resources. We are not always able to discover or determine the extent of any unauthorized use of our intellectual property. Moreover, the steps we take to protect our intellectual property do not always adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights. In addition, any of our intellectual property rights may be challenged or circumvented by others or invalidated or held unenforceable through administrative process or litigation in the U.S. or in foreign jurisdictions.

In addition, the laws of some foreign countries do not protect intellectual property rights to the same level of protection as the laws of the U.S., and we may encounter difficulties in protecting and defending such rights in foreign jurisdictions. To the extent we expand our international activities, our exposure to unauthorized copying and use of our intellectual property and proprietary information may increase. Consequently, we may not be able to prevent third parties from infringing on our intellectual property in all countries outside the U.S., or from selling or importing products made using our intellectual property in and into the U.S. or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement of patents and other intellectual protection is not as strong as that in the U.S. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

If we move into new markets and expand our products or services offerings, incumbent participants in such markets may assert their intellectual property and other proprietary rights against us as a means of slowing our entry into such markets or as a means to extract substantial license and royalty payments from us. In addition, our agreements with some of our customers, suppliers or other entities with whom we do business requires us to defend or indemnify these parties to the extent they become involved in infringement claims, including the types of claims described above. As a result, we could incur significant costs and expenses that could adversely affect our business, operating results or financial condition.

Third parties may knowingly or unknowingly infringe our intellectual property and proprietary rights, third parties may challenge our intellectual property and proprietary rights, pending and future patent, copyright, trademark and other applications may not be approved and we may not be able to prevent infringement without incurring substantial expense. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of a third parties rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all.

Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets, or determine the validity and scope of the proprietary rights of others. Any litigation of this nature, regardless of outcome or merit, may be time-consuming and could incur substantial costs and expenses, substantial liability for damages, or could require us to stop our development and commercialization efforts for our products and services. Our efforts to enforce our intellectual property and proprietary rights might be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property and proprietary rights, and if such defenses, counterclaims or countersuits are successful, we could lose valuable intellectual property and proprietary rights. Furthermore, many of our current and potential competitors may be in a position to dedicate substantially greater resources to enforce their intellectual property and proprietary rights than us. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing, misappropriating or otherwise violating our intellectual property and proprietary rights. Additionally, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

Moreover, the outcome of any such litigation might not be favorable to us, even when our rights have been infringed, misappropriated or otherwise violated. If we do not prevail, we may be required to pay significant money damages, suffer losses of significant revenues, be prohibited from using the relevant systems, processes, technologies or other intellectual property (temporarily or permanently), be required to cease offering certain products or services, incur significant license, royalty or technology development expenses, or be required to comply with other unfavorable terms. Even if we were to prevail, such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our business, operating results or financial condition. We may also be required to enter into license agreements that may not be available on commercially reasonable terms or at all. In addition, although in some cases a third party may have agreed to indemnify us for such costs, such an indemnifying party may refuse or be unable to uphold its contractual obligations. In other cases, insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant.

We rely on trademark, copyright, and patent law, trade secret protection, and confidentiality and/or license agreements with our employees, customers, and others to protect our proprietary rights.

We rely and expect to continue to rely on a combination of confidentiality, invention assignment and other agreements with our employees, consultants and third parties with whom we have relationships and who may have access to confidential or patentable aspects of our research and development output, as well as trademark, copyright, patent and trade secret protection laws, to protect our proprietary rights. However, any of these parties may breach their agreements with us and disclose information improperly. In addition, we cannot guarantee that we have entered into such agreements with each party that has or may have had access to our proprietary information, know-how and trade secrets or each party that has developed intellectual property on our behalf. Moreover, no assurance can be given that these agreements will be effective in controlling access to, distribution, use, misuse, misappropriation, reverse engineering or disclosure of our proprietary information, know-how and trade secrets, platform or confidential information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings. These agreements may be insufficient or breached, and we may not have adequate remedies for any such breach. Additionally, such agreements may not effectively prevent unauthorized access to or unauthorized use, disclosure, misappropriation or reverse engineering of, our confidential information, intellectual property, or technology. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret or know-how is difficult, expensive, and time-consuming, and the outcome is unpredictable. In addition, trade secrets and know-how can be difficult to protect and some courts inside and outside the U.S. are less willing or unwilling to protect trade secrets and know-how. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us, and our competitive position would be materially and adversely harmed.

Additionally, individuals not subject to invention assignment agreements may make adverse ownership claims to our current and future intellectual property. For example, we may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents, trade secrets or other intellectual property as an inventor or co-inventor. Ownership disputes may arise, for example, from conflicting obligations of employees, consultants or others who are involved in developing our future products and services.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

We employ, and expect to employ in the future, individuals who were previously employed at universities or other companies, including our competitors or potential competitors. We may be subject to claims that our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or other third parties, or to claims that we have improperly used or obtained such trade secrets. Litigation may be necessary to defend against these claims. In defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or key personnel, which could adversely impact our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management and other employees.

Indemnity provisions in various agreements to which we are party potentially expose us to substantial liability for infringement, misappropriation or other violation of intellectual property rights.

Our agreements may include indemnification provisions under which we agree to indemnify or otherwise be liable for losses suffered or incurred as a result of claims of infringement, misappropriation or other violation of intellectual property rights or other liabilities relating to or arising from our products, our acts or omissions under such agreements or other contractual obligations. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. As we continue to grow, the possibility of infringement claims and other intellectual property rights claims against us may increase. For any intellectual property rights indemnification claim against us or our customers, we will incur significant legal expenses and may have to pay damages, settlement fees, license fees or stop using products or technology found to be in violation of the third party's rights. Large indemnity payments could harm our business, financial condition and results of operations.

We attempt to contractually limit our liability with respect to indemnity obligations; however, we are not always successful and we may still incur substantial liability related to them. We may be required to cease use of certain functions of our platform or cease selling certain products as a result of any such claims. Any dispute with a customer or other third party with respect to such indemnification obligations could have adverse effects on our relationship with such customer or other third party and other existing or current and prospective customers, subject us to costly and time-consuming litigation, expensive remediation and licenses, divert management attention and financial resources, reduce demand for our products and adversely affect our brand, reputation, business, financial conditions and results of operations. In addition, although we carry general liability insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed or otherwise protect us from liabilities or damages with respect to claims alleging compromises of customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

We must successfully maintain, scale and upgrade our information technology systems, and our failure to do so could have an adverse effect on our business, financial condition, results of operations and prospects.

We continue to invest in and implement upgrades to our systems and procedures, including building new policies, procedures, training programs and monitoring tools. There are inherent costs and risks associated with replacing and changing these systems, including potential disruptions in our business operations, and additional operating or capital costs that could have an adverse effect on our business, financial condition, results of operations and prospects.

If we (or our vendors) are unable to protect against or adequately respond to mitigate the impacts of a service interruption, data corruption, or cybersecurity attack, our operations could be disrupted, our reputation may be harmed and we could face significant costs to remediate the incident and defend against claims by business partners, customers, or regulators. Such security breaches or other cybersecurity incidents may harm our reputation and expose us to loss of consumers and business.

We rely on information technology networks and systems and data processing (some of which are managed by third-party service providers) to market, sell and deliver our products and services, to fulfill orders, to collect, receive, store, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, share and otherwise process personal information, confidential or proprietary information, financial information and other information, to manage a variety of business processes and activities, for financial reporting purposes, to operate our business, process orders and to comply with regulatory, legal and tax requirements. These information technology networks and systems, and the processing they perform, may be susceptible to damage, disruptions or shutdowns, software or hardware vulnerabilities, security incidents, ransomware attacks, unauthorized activity and access, malicious code (such as malware, viruses and worms), acts of vandalism, employee or contractor theft, misplaced or lost data, fraud, misconduct or misuse, social engineering attacks and denial of service attacks, supply-side attacks, phishing and spear phishing attacks, organized cyberattacks, programming or human errors, failures during the process of upgrading or replacing software, databases or components, power outages, fires, natural disasters, hardware failures, telecommunication failures, user errors or catastrophic events, any of which could result in the loss or disclosure of confidential customer information or our own proprietary information, software, methodologies and business information.

In addition, since the onset of the COVID-19 pandemic, our personnel are often working remotely and relying on their own equipment, which may pose additional data security risks to networks, systems and data. Any material disruption of our networks, systems or data processing activities, or those of our third-party service providers, could disrupt our ability to undertake, and cause a material adverse impact to our business, reputation and financial condition. If our information technology networks and systems or data processing (or those of our third-party service providers) suffers damage, security breaches, vulnerabilities, disruption or shutdown (including, for example, cyberattacks or other attacks on global networking infrastructure carried out by Russia following its invasion of Ukraine in February 2022), and we do not effectively resolve the issues in a timely manner, we could experience a material adverse impact to our business, reputation and financial condition. Our DTC and ecommerce operations are critical to our business and our financial performance. Our website serves as an effective extension of our marketing strategies by exposing potential new consumers to our brand, product offerings and enhanced content. Due to the importance of our website and DTC operations, any material disruption of our networks, systems or data processing activities related to our websites and DTC operations could reduce DTC sales and financial performance, damage our brand's reputation and materially adversely impact our business.

The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our systems, networks and physical facilities, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure data loss or theft, or other material adverse consequences. We and our third-party service providers regularly defend against and respond to cybersecurity incidents. No security solution, strategy, or measures can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security incident, and our incident response procedures may be inadequate to fully contain, mitigate, or remediate a data security incident. Moreover, notwithstanding any contractual rights or remedies we may have, because we do not control our third-party service providers, including their security measures and their processing of data, we cannot ensure the integrity or security of measures they take to protect customer information and prevent data loss.

The risk of unauthorized circumvention of our security measures or those of our third-party providers, has been heightened by the increased use of the Internet and telecommunications technologies (including mobile and other connected devices) to conduct financial and other business transactions, advances in computer and software capabilities and the increasing sophistication of hackers who employ complex techniques, including without limitation, the theft or misuse of personal and financial information, counterfeiting, "phishing" or social engineering incidents, ransomware, extortion, publicly announcing security breaches, account takeover attacks, denial or degradation of service attacks, malware, fraudulent payment and identity theft. Because the techniques used by hackers change frequently, we may be unable to anticipate these techniques or implement adequate preventive measures. Our applications, systems, networks, software and physical facilities could have material vulnerabilities, be breached, or personal or confidential information could be otherwise compromised due to employee error or malfeasance, such as where third parties fraudulently induce our personnel or our consumers to disclose information or user names and/or passwords, or otherwise compromise the security of our networks, systems and/or physical facilities. Third-party criminals regularly attempt to exploit vulnerabilities in, or obtain unauthorized access to, platforms, software, applications, systems, networks, sensitive information, and/or physical facilities utilized by us or our vendors. Improper access to our systems or databases could result in the theft, publication, deletion or modification of personal information, confidential or proprietary information, financial information and other information. An actual or perceived breach of our security systems or those of our third-party service providers may require notification under applicable data privacy regulations or contractual obligations, or for consumer relations or publicity purposes, which could result in reputational harm, costly litigation (including class action litigation), material contract breaches, liability, settlement costs, loss of sales, regulatory scrutiny, actions or investigations, a loss of confidence in our business, systems and processing, a diversion of management's time and attention, and significant fines, penalties, assessments, fees and expenses.

As is common in the digital world we operate in, we and our third-party service providers have experienced occasional security incidents involving unauthorized access to our account credentials; however, all such incidents have been remediated and we are not aware of any significant impact resulting from such incidents. While we regularly defend against and respond to cybersecurity threats and attacks, our efforts to contain, mitigate and remediate a data security incident may not be successful, resulting in unexpected interruptions, delays, cessation of service, negative publicity, and other harm to our business and our competitive position. The costs to respond to a significant security breach or security vulnerability, including to provide breach notification where required, can be substantial. We may have to notify stakeholders of security breaches, which may harm our reputation and expose us to loss of consumers and business. Breach notification can lead to negative publicity, may cause our consumers to lose confidence in the effectiveness of our security measures, and could require us to expend significant capital and other resources to respond to and/or alleviate problems caused by the actual or perceived security breach. A security breach could lead to claims by our consumers or ecommerce or retail customers, or other relevant stakeholders that we have failed to comply with our legal or contractual obligations. As a result, we could be subject to legal action or our consumers or ecommerce or retail customers could end their relationships with us. There can be no assurance that any limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities or damages. We could be required to fundamentally change our business activities and practices in response to a security breach or related regulatory actions or litigation, which could have an adverse effect on our business. We may not have, or in the future be able to obtain, adequate insurance coverage for security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees and other impacts that arise out of incidents or breaches. Any incidents may result in loss of, or increased costs of, our cybersecurity insurance. We also cannot ensure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims related to a security incident or breach, or that the insurer will not deny coverage as to any future claim. If the impact of a security incident or breach or the successful assertion of one or more large claims against us exceeds our available insurance coverage or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), it could have an adverse effect on our business, financial condition, reputation and results of operations.

We use open source software in our platform, which may subject us to additional risks and harm our intellectual property.

We use open source software in our platform and expect to continue to use open source software in the future. There are risks and uncertainties regarding the proper interpretation of and compliance with open source software licenses. Some open source software licenses require those who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or to make available any derivative works of the open source code on unfavorable terms or at no cost, and we may be subject to such terms. Consequently, there is a risk that the owners of the copyrights in such open source software may claim that the open source licenses governing their use impose certain conditions or restrictions on our ability to use the software that we did not anticipate. Such owners may seek to enforce the terms of the applicable open source license, including by demanding release of the source code for the open source software, derivative works of such software, or, in some cases, our proprietary source code that uses or was developed using such open source software. These claims could also result in litigation, subject us to significant damages, require us to purchase costly third-party licenses, require us to devote additional research and development resources to change our products or discontinue the sale of our proprietary products, any of which could result in reputational harm and would be disruptive to our business. In addition, if the license terms for the open source software we utilize change, we may be forced to re-engineer our platform or incur additional costs to comply with the changed license terms or to replace the affected open source software. Furthermore, if we were to combine our proprietary platform with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary platform to the public or offer our platform to users at no cost. This could allow our competitors to create similar platforms with lower development effort and time and ultimately could result in a loss of sales for us.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or assurance of title or controls on origin of the software. There is typically no support available for open source software, and we cannot ensure that the authors of such open source software will implement or push updates to address security risks or will not abandon further development and maintenance.

We cannot be certain that we have not incorporated open source software in our platform in a manner that is inconsistent with such policies. Therefore, we may inadvertently use open source in a manner that we do not intend or that could expose us to claims for breach of contract or intellectual property infringement, misappropriation or other violation. Any of the foregoing could have a material adverse effect on our business, financial condition, prospects and results of operations.

The actual or perceived failure by us or our vendors to comply with applicable privacy and data protection laws, regulations or industry standards could have an adverse effect on our business, financial condition, results of operations and prospects.

We collect, store, share, use, retain, safeguard, transfer, analyze and otherwise process, and our vendors process on our behalf, personal information, confidential information and other information necessary to provide and deliver our products through our e-commerce channel to operate our business, for legal and marketing purposes, and for other business-related purposes. Collection and use of this information might raise privacy and data protection concerns, which could negatively impact our business. Data privacy and information security has become a significant issue in the United States, countries in Europe, and in many other countries. The legal and regulatory framework for privacy and security issues is rapidly evolving and is expected to increase our compliance costs and exposure to liability. There are numerous federal, state, local, and international laws, orders, codes, rules, regulations and regulatory guidance regarding privacy, information security and processing (which we collectively refer to as “Data Protection Laws”), the number and scope of which is changing, subject to differing applications and interpretations, and which may be inconsistent among jurisdictions, or in conflict with other rules, laws or obligations (which we collectively refer to as “Data Protection Obligations”). Therefore, the regulatory framework for privacy and data protection worldwide is, and is likely to remain, uncertain and complex for the foreseeable future, and our actual or perceived failure to address or comply with applicable Data Protection Laws and Data Protection Obligations could have an adverse effect on our business, financial condition, results of operations and prospects. We also expect that there will continue to be new Data Protection Laws and Data Protection Obligations, and we cannot yet determine the impact such future Data Protection Laws and Data Protection Obligations may have on our business. Any significant change to Data Protection Laws and Data Protection Obligations, including without limitation, regarding the manner in which the express or implied consent of consumers for processing is obtained, could increase our costs and require us to modify our operations, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process consumer data and operate our business.

We are or may also be subject to the terms of our external and internal privacy and security policies, codes, representations, certifications, industry standards, publications and frameworks (which we collectively refer to as “Privacy Policies”) and contractual obligations to third parties related to privacy, information security and processing, including contractual obligations to indemnify and hold harmless third parties from the costs or consequences of non-compliance with Data Protection Laws or Data Protection Obligations.

We may not be successful in achieving compliance if our employees, partners or vendors do not comply with applicable Data Protection Laws, Privacy Policies and Data Protection Obligations. If we or our vendors fail (or are perceived to have failed) to comply with applicable Data Protection Laws, Privacy Policies and Data Protection Obligations, or if our Privacy Policies are, in whole or part, found to be inaccurate, incomplete, deceptive, unfair, or misrepresentative of our actual practices, our business, financial condition, results of operations and prospects could be adversely affected.

In the United States, our obligations include rules and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act (the “CCPA”) and other state and federal laws relating to privacy and data security. The CCPA, requires companies that process information of California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of the sale of personal information with third parties and prohibits covered businesses from discriminating against California residents (for example, charging more for services) for exercising any of their rights under the CCPA. The law also provides a private right of action and statutory damages for certain data breaches that result in the loss of personal information. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. However, it remains unclear how various provisions of the CCPA will be interpreted and enforced. Therefore, the CCPA may increase our compliance costs and potential liability.

In addition, the CPRA significantly modifies the CCPA, and imposes additional data protection obligations on companies doing business in California, resulting in further complexity. The law, among other things, gives California residents the ability to limit the use of their sensitive information, provides for penalties for CPRA violations concerning California residents under the age of 16, and establishes a new California Privacy Protection Agency to implement and enforce the law. The effects of this legislation are potentially far-reaching and may impact our business. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business, financial condition, results of operations and prospects.

Other jurisdictions in the United States have already passed or are considering laws similar to the CCPA, with potentially greater penalties and more rigorous compliance requirements relevant to our business. Many state legislatures have already adopted legislation that regulates how businesses operate online, including measures relating to privacy, data security, data breaches and the protection of sensitive and personal information. For example, on March 2, 2021, Virginia enacted the Virginia Consumer Data Protection Act (the “CDPA”), a comprehensive privacy statute that shares similarities with the CCPA, CPRA, and legislation proposed in other states. The CDPA, which became effective on January 1, 2023, has required and will require us to incur additional costs and expenses in an effort to comply with it. Colorado also has a similar law, the Colorado Privacy Act (the “CPA”), which became effective on July 1, 2023. Many other states are currently considering proposed comprehensive data privacy legislation and all 50 states have passed at least some form of data privacy legislation (for example, all 50 states have enacted laws requiring disclosure of certain personal data breaches). At the federal level, the United States Congress is also considering various proposals for comprehensive federal data privacy legislation and, while no comprehensive federal data privacy law currently exists, we are subject to applicable existing federal laws and regulations, such as the rules and regulations promulgated under the authority of the Federal Trade Commission, which regulates unfair or deceptive acts or practices, including with respect to data privacy and security. These state statutes, and other similar state or federal laws, may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses.

We rely on a variety of marketing techniques and practices, including email and social media marketing, online targeted advertising, cookie-based processing, and postal mail to sell our products and services and to attract new consumers, and we, and our vendors, are subject to various current and future Data Protection Laws and Data Protection Obligations that govern marketing and advertising practices. Governmental authorities continue to evaluate the privacy implications inherent in the use of third-party “cookies” and other methods of online tracking for behavioral advertising and other purposes, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices, web browsers and application stores have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, require additional consents, or limit the ability to track user activity, which could if widely adopted result in the use of third-party cookies and other methods of online tracking becoming significantly less effective. Laws and regulations regarding the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new consumers on cost-effective terms, which, in turn, could have an adverse effect on our business, financial condition, results of operations and prospects.

Changes in existing laws or regulations or related official guidance, or the adoption of new laws or regulations or guidance, may increase our costs and otherwise adversely affect our business, financial condition, results of operations and prospects.

The regulatory environment in which we operate has changed in the past and could change significantly and adversely in the future. For example, in December 2009, the FTC substantially revised its Guides Concerning the Use of Endorsements and Testimonials in Advertising ("Endorsement Guides") to eliminate a safe harbor principle that formerly recognized that advertisers could publish consumer testimonials that conveyed truthful but extraordinary results from using the advertiser's product as long as the advertiser clearly and conspicuously disclosed that the endorser's results were not typical. Similarly, in 2012, the FTC announced revisions to its Green Guides discussed above, which assist advertisers in avoiding the dissemination of false or deceptive environmental claims for their products. The Green Guides revisions introduced new and proscriptive guidance regarding advertisers' use of product certifications and seals of approval, "recyclable" claims, "renewable materials" claims, "carbon offset" claims and other environmental benefit claims. In October 2021, California passed a new environmental marketing law banning recyclability claims unless a product and/or its packaging meets specifically enumerated benchmarks focused on the practical realities of the recycling process; the benchmarks, which have not yet been enumerated, may be more stringent than those currently imposed by the FTC's Green Guides. In 2022, the FTC issued the "Health Products Compliance Guide" which provides guidance from FTC on how companies can ensure that claims about the benefits and safety of health-related products are truthful, not misleading, and supported by science. In particular, the FTC Guide sets out the FTC's expectations regarding the substantiation of health-related claims, including that claim substantiation will require randomized, controlled human clinical testing. California has enacted a law and the FTC has proposed regulations pertaining to the disclosure of all components of the cost of products to consumers, including mandatory fees and charges other than taxes and fees imposed by a government and reasonably and actually incurred postage or shipping charges. We anticipate that additional states will enact similar laws. We charge amounts that are subject to the disclosure requirements of the California law and FTC proposed regulation. As a result, we anticipate that we will change the manner in which we disclose fees and costs to consumers and may determine to stop charging certain fees and/or costs, increase prices as a result or make other changes. These actions and changes may negatively impact consumer shopping behavior on our website or our operating results, which could adversely impact our business and financial results.

In addition, on December 23, 2022, Congress passed the Food and Drug Omnibus Reform Act of 2022, as part of the Consolidated Appropriation Act of 2023, which included the Modernization of Cosmetics Regulation Act of 2022 ("MOCRA"). MOCRA provides FDA with additional authority to regulate cosmetic products including with respect to the reporting of serious adverse events, cosmetic facility registration and product listing, the maintenance of safety substantiation files and the establishment of good manufacturing practices for cosmetics.

We strive to adapt our marketing efforts to evolving legal and regulatory requirements and related guidance; however, we may not always anticipate or timely identify changes in regulation or official guidance that could impact our business, with the result that we could be subjected to litigation and enforcement actions that could adversely affect our business, financial condition, results of operations and prospects. Future changes in laws, regulations, and related official agency guidance, such as the Endorsement Guides, Green Guides, and Health Products Compliance Guide (or state automatic renewal laws, discussed above), could also introduce new restrictions that impair our ability to market our products effectively and place us at a competitive disadvantage with competitors who, for example, depend less than we do on environmental marketing claims and social media influencer relationships.

Moreover, any change in laws, regulations or guidance relating to manufacturing, advertising, labeling or packaging for our products may lead to an increase in costs or interruptions in production, either of which could adversely affect our business, financial condition, results of operations and prospects. New or revised government laws, regulations or guidelines could result in additional compliance costs and, in the event of non-compliance, civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations, as well as potential criminal sanctions, any of which could have an adverse effect on our business, financial condition, results of operations and prospects. We cannot, for example, predict additional costs or other impacts of MOCRA, which among other things, requires FDA rulemaking for the implementation of key provisions.

Failure by our network of retail and ecommerce partners, suppliers or manufacturers to comply with product safety, environmental or other laws and regulations, or with the specifications and requirements of our products, may disrupt our supply of products and adversely affect our business.

If our network of retail and ecommerce partners, suppliers or manufacturers fail to comply with environmental, health and safety or other laws and regulations, or face allegations of non-compliance, their operations may be disrupted and our reputation could be harmed. Additionally, our retail and ecommerce partners, suppliers and manufacturers are required to maintain the quality of our products and to comply with our standards and specifications. In the event of actual or alleged non-compliance, we might be forced to find alternative retail or ecommerce partners, suppliers or manufacturers and we may be subject to lawsuits and/or regulatory enforcement actions related to such non-compliance by the suppliers and manufacturers. As a result, our supply of products could be disrupted or our costs could increase, which could adversely affect our business, financial condition, results of operations and prospects. The failure of any partner or manufacturer to produce products that conform to our standards could adversely affect our reputation in the marketplace and result in product recalls, product liability claims, government or third-party actions and economic loss. For example, a manufacturer's failure to meet GMPs, could result in the delivery of a product that is subject to a product recall, product liability litigation, or government investigations and enforcement. Additionally, actions we may take to mitigate the impact of any disruption or potential disruption in our supply of materials or finished inventory, including increasing inventory in anticipation of a potential supply or production interruption, could have an adverse effect on our business, financial condition, results of operations and prospects.

Our status as a public benefit corporation and a Certified B Corporation may not result in the benefits that we anticipate.

We are a public benefit corporation incorporated under Delaware law. As a public benefit corporation we are required to balance the financial interests of our stockholders with the best interests of those stakeholders materially affected by our conduct, including particularly those affected by the specific benefit purposes set forth in our Charter. In addition, there is no assurance that the expected positive impact from being a public benefit corporation will be realized. Accordingly, being a public benefit corporation and complying with our related obligations could negatively impact our ability to provide the highest possible return to our stockholders.

As a public benefit corporation, we are required to disclose to stockholders a report at least biennially on our overall public benefit performance and on our assessment of our success in achieving our specific public benefit purpose. If we are not timely or are unable to provide this report, or if the report is not viewed favorably by parties doing business with us or regulators or others reviewing our credentials, our reputation and status as a public benefit corporation may be harmed.

While not required by Delaware law or the terms of our Charter, we have elected to have our social and environmental performance, accountability and transparency assessed against the proprietary criteria established by an independent non-profit organization. As a result of this assessment, we have been designated as a "Certified B Corporation," which refers to companies that are certified as meeting certain levels of social and environmental performance, accountability and transparency. The standards for Certified B Corporation certification are set by an independent organization and may change over time. Our reputation could be harmed if we lose our status as a Certified B Corporation, whether by our choice or by our failure to continue to meet the certification requirements, if that failure or change were to create a perception that we are more focused on financial performance and are no longer as committed to the values shared by Certified B Corporations. Likewise, our reputation could be harmed if our publicly reported Certified B Corporation score declines.

As a public benefit corporation, our duty to balance a variety of interests may result in actions that do not maximize stockholder value.

As a public benefit corporation, our board of directors has a duty to balance (i) the pecuniary interest of our stockholders, (ii) the best interests of those materially affected by our conduct and (iii) specific public benefits identified in our charter documents. In balancing these interests, our board of directors may take actions that do not maximize stockholder value. Any benefits to stockholders resulting from our public benefit purposes may not materialize within the timeframe we expect or at all and may have negative effects. For example, we may choose to revise our policies in ways that we believe will be beneficial to our stakeholders, including customers, suppliers, employees and local communities, even though the changes may be costly; we may be influenced to pursue programs and services to demonstrate our commitment to the communities we serve even though there is no immediate return to our stockholders; or in responding to a possible proposal to acquire the Company, our board of directors may be influenced by the interests of our stakeholders, including suppliers, crew members and local communities, whose interests may be different from the interests of our stockholders.

We may be unable or slow to realize the benefits we expect from actions taken to benefit our stakeholders, including suppliers, crew members and local communities, which could adversely affect our business, financial condition and results of operations, which in turn could cause our stock price to decline.

As a public benefit corporation, we may be subject to increased derivative litigation concerning our duty to balance stockholder and public benefit interests, the occurrence of which may have an adverse impact on our financial condition and results of operations.

As a Delaware public benefit corporation, our stockholders (if they, individually or collectively, own at least 2% of our outstanding capital stock or shares having at least $2 million in market value (whichever is less)) are entitled to file a derivative lawsuit claiming that our directors failed to balance stockholder and public benefit interests. This potential liability does not exist for traditional corporations. Therefore, we may be subject to the possibility of increased derivative litigation, which would require the attention of management and, as a result, may adversely impact management's ability to effectively execute our strategy. Any such derivative litigation may be costly and have an adverse impact on our financial condition and results of operations.

We and our directors and executive officers may be subject to litigation for a variety of claims, which could harm our reputation and adversely affect our business, results of operations and financial condition.

In the ordinary course of business, we may face allegations, lawsuits, and regulatory inquiries, audits, and investigations regarding labor and employment, wage and hour, consumer protection, commercial, antitrust, alleged securities law violations or other investor claims, claims that our employees or independent contractors have wrongfully disclosed or we have wrongfully used proprietary information of our employees' or independent contractors' former employers and other matters, data privacy, security, consumer protection, and intellectual property infringement, acquisitions, or business practices. The number and significance of these potential claims and disputes may increase. Further, our general liability insurance may not cover all potential claims made against us or be sufficient to indemnify us for all liability that may be imposed. Any claim against us, regardless of its merit, could be costly, divert management's attention and operational resources, and harm our reputation.

Our directors and executive officers may also be subject to litigation. The limitation of liability and indemnification provisions that are included in our amended and restated Charter, our amended and restated bylaws and indemnification agreements that we entered into with our directors and executive officers provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law and may discourage stockholders from bringing a lawsuit against our directors and executive officers for breach of their fiduciary duties. Such provisions may also reduce the likelihood of derivative litigation against our directors and executive officers, even though an action, if successful, might benefit us and other stockholders. Further, a stockholder's investment may be harmed to the extent that we pay the costs of settlement and damage awards against our directors and executive officers as required by these indemnification provisions. We have obtained insurance policies under which, subject to the limitations of the policies, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law. These insurance policies may not cover all potential claims made against our directors and executive officers, may not be available to us in the future at a reasonable rate and may not be adequate to indemnify us for all liability that may be imposed. As litigation is inherently unpredictable, we cannot assure you that any potential claims or disputes will not harm our business, results of operations and financial condition.

The results of regulatory proceedings, litigation, claims, and audits cannot be predicted with certainty, and determining reserves for pending litigation and other legal, regulatory and audit matters requires significant judgment. Regardless of the outcome of any litigation, the litigation itself can have an adverse impact on us because of legal costs, diversion of management resources and other factors.

Risks Relating to Ownership of Company Securities

The price of our Class A Common Stock and our warrants may be volatile.

The value of our securities, including our Class A Common Stock and our warrants, may fluctuate due to a variety of factors, including:

- changes in the industries in which we and our customers operate;
- variations in our operating performance and the performance of our competitors in general;

- actual or anticipated fluctuations in our quarterly or annual results of operation;
- publication of research reports by securities analysts about us or our competitors or our industry;
- the public's reaction to our press releases, our other public announcements, and our filings with the SEC;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- changes in laws and regulations affecting our business;
- 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;
- the volume of shares of our Class A Common Stock available for public sale; and
- general economic and political conditions such as recessions, interest rates, fuel prices and general inflationary pressures, foreign currency fluctuations, international tariffs, social, political, and economic risks, and acts of war or terrorism.

These market and industry factors may materially reduce the market price of our Class A Common Stock and our warrants regardless of our operating performance.

Warrants are or may become exercisable for shares of our common stock, and additional shares of our common stock may become issuable, which would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.

Outstanding Public Warrants and Private Placement Warrants to purchase an aggregate of 2,800,146 shares of our Class A Common Stock may become exercisable in accordance with the terms of the warrant agreement governing those securities with an exercise price of $57.50 per share. However, there is no guarantee that the Public Warrants or the Private Placement Warrants will ever be in the money prior to their expiration, and as such, the Public Warrants and the Private Placement Warrants may expire worthless. See below risk factor, "*The Public Warrants may never be in the money, and they may expire worthless and the terms of the Public Warrants may be amended in a manner adverse to a holder if holders of at least 65% of the then-outstanding Public Warrants approve of such amendment.*"

Outstanding warrants to purchase an aggregate of 113,776 shares of Class B Common Stock may become exercisable in accordance with the terms of the warrant agreements governing those securities, the forms of which have been filed as Exhibit 4.5 through Exhibit 4.12 of the Company's Current Report on Form 8-K filed with the SEC on June 23, 2022. The exercise prices of the Legacy Grove Warrants are set forth in such warrant agreements, as subsequently adjusted pursuant to the Business Combination.

Outstanding Backstop Warrants to purchase an aggregate of 775,005 shares of our Class A Common Stock are exercisable in accordance with the terms of the Backstop Subscription Agreement governing those securities with an exercise price of $0.05 per share.

We entered into a subscription agreement (the "Preferred Stock Subscription Agreement") with Volition Capital Fund IV, L.P. ("Volition") and issued Volition a warrant to purchase 1,579,778 shares of our Class A Common Stock at an exercise price of $6.33 (the "Volition Warrants") and a warrant to purchase 20,905 shares of our Class A Common Stock at an exercise price of $0.01 per share (the "Volition Penny Warrants"). All of the Volition Warrants and Volition Penny Warrants are outstanding and exercisable in accordance with the warrant agreements governing those securities.

To the extent any of the Public Warrants, Private Placement Warrants, Legacy Grove Warrants or Backstop Warrants are exercised, additional shares of our Class A Common Stock will be issued, which will result in dilution to the holders of our Class A Common Stock and an increase in the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market or the fact that such warrants may be exercised or shares be issued, as applicable, could adversely affect the prevailing market prices of our Class A Common Stock.

The Public Warrants may never be in the money, and they may expire worthless and the terms of the Public Warrants may be amended in a manner adverse to a holder if holders of at least 65% of the then-outstanding public warrants approve of such amendment.

The Public Warrants were issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us. The warrant agreement provides that the terms of the Public Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision or correct any mistake, but requires the approval by the holders of at least 65% of the then-outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of Public Warrants. Accordingly, we may amend the terms of the Public Warrants in a manner adverse to a holder if holders of at least 65% of the then-outstanding Public Warrants approve of such amendment. Our ability to amend the terms of the Public Warrants with the consent of at least 65% of the then-outstanding Public Warrants is unlimited; however, examples of such amendments could be amendments to, among other things, increase the exercise price of the Warrants, convert the Warrants into cash, shorten the exercise period, or decrease the number of shares of our Class A Common Stock purchasable upon exercise of a Warrant.

We may redeem unexpired Public Warrants prior to their exercise at a time that is disadvantageous to holders of the Public Warrants, thereby making the Public Warrants worthless.

We have the ability to redeem outstanding Public Warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of our Class A Common Stock equals or exceeds $90.00 per share (as adjusted for share subdivisions, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations, and the like) for any 20 trading days within a 30-trading-day period ending on the third trading day prior to the date we send the notice of redemption to the warrant holders. If and when the Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding Public Warrants could force holders of Public Warrants to: (i) exercise the Public Warrants and pay the exercise price therefor at a time when it may be disadvantageous for such holder to do so; (ii) sell the Public Warrants at the then-current market price when the holder of such Public Warrant might otherwise wish to hold their Public Warrants; or (iii) accept the nominal redemption price which, at the time the outstanding Public Warrants are called for redemption, is likely to be substantially less than the market value of such Public Warrants.

In addition, we may redeem the Public Warrants at any time after they become exercisable and prior to their expiration at a price of $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their Public Warrants prior to redemption for a number of our Class A Common Stock determined based on the redemption date and the fair market value of our Class A Common Stock. The value received upon exercise of the Public Warrants (1) may be less than the value the holders would have received if they had exercised their Public Warrants at a later time where the underlying share price is higher and (2) may not compensate the holders for the value of the Public Warrants. None of the Private Placement Warrants will be redeemable by us, subject to certain circumstances, so long as they are held by the Sponsor or its permitted transferees.

Our dual-class structure may impact the stock price of our Class A Common Stock.

We cannot predict whether our dual-class structure will result in a lower or more volatile market price of our Class A Common Stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indices. In July 2017, FTSE Russell and S&P Dow Jones announced that they would cease to allow most newly-public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual-class capital structure makes us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track those indices will not invest in our Class A Common Stock. These policies are still fairly new and it is unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Because of our dual-class structure, we will likely be excluded from certain of these indices and we cannot assure you that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from stock indices would likely preclude investment by many of these funds and could make shares of our Class A Common Stock less attractive to other investors. As a result, the market price of shares of our Class A Common Stock could be adversely affected.

Our taking advantage of certain exemptions from disclosure requirements available to "emerging growth companies" under the Securities Act of 1993, as amended, could make our securities less attractive to investors and may make it more difficult to compare our performance with other public companies.

We are an "emerging growth company" within the meaning of the Securities Act, as modified by the JOBS Act, and we 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 auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As a result, our stockholders may not have access to certain information they may deem important. We will remain an emerging growth company under the JOBS Act until the earliest of (a) December 31, 2026, (b) the last date of our fiscal year in which we have total annual gross revenue of at least $1.235 billion, (c) the date on which we are deemed to be a "large accelerated filer" under the rules of the SEC with at least $700.0 million of outstanding securities held by non-affiliates or (d) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the previous three years. We cannot predict whether investors will find our securities less attractive because we will rely on these exemptions. If some investors find our securities less attractive as a result of our reliance on these exemptions, the trading prices of our securities may be lower than they otherwise would be, there may be a less active trading market for our securities and the trading prices of our securities may be more volatile.

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 Exchange Act) 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 an election to opt out is irrevocable. We have 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, we, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of our financial statements 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.

We may incur debt or assume contingent or other liabilities or dilute our stockholders in connection with acquisitions or strategic alliances.

We may issue equity securities to pay for future acquisitions or strategic alliances, which could be dilutive to existing stockholders. We may also incur debt or assume contingent or other liabilities in connection with acquisitions and strategic alliances, which could impose restrictions on our business operations and harm our operating results. Further, any additional equity financing, debt financing, or credit facility used for such acquisitions may not be on favorable terms, and any such financing or facility may place restrictions on our business. In addition, to the extent that the economic benefits associated with any of our acquisitions diminish in the future, we may incur incremental operating losses, and we may be required to record additional write downs of goodwill, intangible assets or other assets associated with such acquisitions, which would adversely affect our operating results.

Future sales, or the perception of future sales, by us or our stockholders in the public market could cause the market price for our Class A Common Stock to decline.

The sale of shares of our Class A Common Stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A Common Stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As any restrictions on resale end, the market price of our Class A Common Stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our Class A Common Stock or other securities.

In addition, our Class A Common Stock reserved for future issuance under our equity incentive plans will become eligible for sale in the public market once those shares are issued, subject to provisions relating to various vesting agreements, lock-up provisions, and, in some cases, limitations on volume and manner of sale applicable to affiliates under Rule 144, as applicable. As of December 31, 2023, the aggregate number of shares of our Class A Common Stock reserved for future issuance under our Incentive Equity Plan is 4,642,495. The Compensation Committee of the Board may determine the exact number of shares to be reserved for future issuance under our equity incentive plans at its discretion. We will file one or more registration statements on Form S-8 under the Securities Act to register shares of our Class A Common Stock or securities convertible into or exchangeable for shares of our Class A Common Stock issued pursuant to our Equity Incentive Plan. Any such Form S-8 registration statements will automatically become effective upon filing. Accordingly, shares registered under such registration statements will be available for sale in the open market.

The NYSE may delist our securities from trading on its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Currently, our Class A Common Stock is publicly traded on the NYSE under the symbol GROV. We cannot assure you that our securities will continue to be listed on the NYSE. On December 14, 2022, we received notice from the NYSE that the average per share trading price of our common stock was below the NYSE's continued listing standard rule relating to minimum average share price. Rule 802.01C of the NYSE's Listed Company Manual requires that our common stock trade at a minimum average closing price of $1.00 over a consecutive 30 trading-day period. Pursuant to Section 802.01C, we had a period of six months following the receipt of the Notice to regain compliance with the minimum share price requirement. While we regained compliance, we may fall out of compliance in the future. In order to continue listing our securities on the NYSE, we must maintain certain financial, distribution and share price levels. Generally, we must maintain a minimum number of holders of our securities (400 public holders). If the NYSE delists our securities from trading on its exchange and we are not able to list our securities on another national securities exchange, we expect our securities 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 our securities;
- reduced liquidity for our securities;
- a determination that our Class A Common Stock is a "penny stock" which will require brokers trading in our Class A Common Stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage
- a decreased ability to issue additional securities or obtain additional financing in the future; and
- the triggering of an Event of Default as defined debt facilities that we are a party to.

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 as "covered securities." Since our Class A Common Stock is listed on the NYSE, they are covered securities. Although the states are preempted from regulating the sale of our securities, the federal statute does allow the states to investigate companies if there is a suspicion of fraud, and, if there is a finding of fraudulent activity, then the states can regulate or bar the sale of covered securities in a particular case. If we were no longer listed on the NYSE, our securities would not be covered securities and we would be subject to regulation in each state in which we offer our securities.

Because there are no current plans to pay cash dividends on our Class A Common Stock for the foreseeable future, holders of our Class A Common Stock may not receive any return on investment unless such holders sell their Class A Common Stock for a price greater than that which such holder paid for it.

We intend to 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. The declaration, amount and payment of any future dividends on shares of our Class A Common Stock will be at the sole discretion of our Board. Our Board may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax, and regulatory restrictions, implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our Board may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we incur. As a result, holders of our Class A Common Stock may not receive any return on an investment in our Class A Common Stock unless such holder sells the Class A Common Stock for a price greater than that which such holder paid for it.

The Series A Preferred Stock contains rights, preferences and privileges that may limit our business flexibility or reduce the value of our Class A Common Stock.

In connection with any sale or liquidation of Grove, holders of our Series A Convertible Preferred Stock ("Series A Preferred Stock") are entitled to receive the greater of (i) an aggregate of $10 million plus declared but unpaid dividends, if any, and (ii) the amount they would have received had the converted their Series A Preferred Stock into Class A Common Stock prior and in preference to any distributions to holders of Class A Common Stock, which may limit the value of you stock in any such transaction. In addition, for so long as at least 50% of the shares of Series A Preferred Stock remain outstanding, we may not, without first obtaining the approval of the holders of at least a majority of the Series A Preferred Stock take certain actions including amending our certificate of incorporation or bylaws in a manner that adversely affects the Series A Preferred Stock, increasing or decreasing the authorized number of shares of Series A Preferred Stock or issuing stock that sis senior to the Series A Preferred Stock, which may limit our flexibility to raise additional equity capital or take other corporate actions. There is no guarantee that the holders of Series A Preferred Stock would approve any such restricted action, even where such an action would be in the best interests of our stockholders. Any failure to obtain such approval could harm our business and result in a decrease in value of our Class A Common Stock. In addition, the Series A Preferred Stock are convertible into our Class A common stock at the option of the holders thereof. Accordingly, any conversion of convertible preferred stock would dilute the ownership of our holders of our Class A Common Stock. The potential dilutive effect of the conversion of shares of Series A Preferred Stock may also adversely affect our ability to obtain additional financing on favorable terms or at all.

Covenants and other provisions in our loan agreements restrict our business and operations in many ways, and if we do not effectively manage our covenants, our financial conditions and results of operations could be adversely affected. In addition, our operations may not provide sufficient cash to meet the repayment obligations of our debt incurred under our loan agreements.

We are a party to (i) the Structural Debt Facility and (ii) that certain Loan and Security Agreement, dated as of March 10, 2023, with, inter alia, Siena Lending Group LLC (as amended or modified from time to time, the “Siena Revolver”, and together with the Structural Debt Facility, collectively, the “Loan Agreements”). Under the Loan Agreements, Grove is subject to various representations and warranties, covenants and events of default. Material misrepresentations of representations and warranties, the breach of certain covenants and the occurrence of other stated events result in an immediate event of default, which give the lenders party to the Loan Agreements the right to take certain remedial measures with respect to Grove and the collateral pledged pursuant to the Loan Agreements, which would harm our business, financial condition and results of operations. The pledge of these assets and other restrictions imposed in the Loan Agreements may limit our ability to incur additional indebtedness or impair our ability to sell or dispose of assets to raise capital, which could have an adverse effect on our financial flexibility.

If there are outstanding obligations relating to the Structural Debt Facility on July 21, 2025, we have agreed to issue to the third-party lenders and certain of their affiliates the aggregate number of shares of our Class A Common Stock equal to $9,900,000, divided by the lower of (i) $10.00 and (ii) the volume weighted average price of our Class A Common Stock for the sixty trading days prior to such date as further described in the related issuance agreements of our Class A Common Stock. If we are unable to refinance this debt on acceptable terms, or at all, prior to that date, it would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders. Our principal payments on the Structural Debt Facility also begin on July 1, 2025. If we are unable to refinance this debt on acceptable terms, or at all, prior to that date, or are unable to generate sufficient cash flow to pay our debt service after that date, our financial condition may be materially and adversely affected.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our Class A Common Stock will rely in part on the research and reports that industry or financial analysts publish about the us or our business. We will not control these analysts. If one or more of the analysts who do cover us downgrade our stock or industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

We will face significant expenses and administrative burdens as a public company, which could have an adverse effect on our business, financial condition and results of operations.

As a publicly-traded company, we now face increased legal, accounting, administrative and other costs and expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002 or the Sarbanes-Oxley Act, including the requirements of Section 404, to the extent applicable to us, as well as 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 the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements may increase costs and make certain activities more time consuming. It may also be more expensive to obtain director and officer liability insurance.

If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy of our reported financial information and this may lead to a decline in our stock price.

We have in the past identified material weaknesses and significant deficiencies in our internal controls. All previously identified material weaknesses have been remediated, however, our discovery of additional material weaknesses or significant deficiencies in our internal control over financial reporting could harm our operating results, adversely affect our reputation, or result in inaccurate financial reporting. Furthermore, should any such deficiencies arise we could be subject to lawsuits, sanctions or investigations by regulatory authorities, including SEC enforcement actions and we could be required to restate our financial results, any of which would require additional financial and management resources.

Even if we do not detect deficiencies, our internal control over financial reporting will not prevent or detect all errors and fraud, and individuals, including employees and contractors, could circumvent such controls. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

In addition, we may encounter difficulties in the timely and accurate reporting of our financial results, which would impact our ability to provide our investors with information in a timely manner. Should we encounter such difficulties, our investors could lose confidence in the reliability of our reported financial information and trading price of our common stock. could be negatively impacted.

Delaware law and our governing documents contain certain provisions, including anti-takeover provisions, that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our governing documents and the DGCL contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by the Board and therefore depress the trading price of our Class A Common Stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of the Board or taking other corporate actions. Among other things, our governing documents include provisions regarding:

- a classified board of directors;
- the dual-class structure that provides for Class B Common Stock being entitled to ten votes per share;
- the ability of the Board to issue shares of preferred stock, including “blank check” preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the limitation of the liability of, and the indemnification of, our directors and officers;
- the requirement that a special meeting of stockholders may only be called by a majority of the entire Board, the Chairman of the Board, our Chief Executive Officer or when requested in writing by the holders of not less than 20% of all votes entitled to be cast at the meeting, which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of Board and stockholder meetings;
- the ability of the Board to amend the Bylaws, which may allow the Board to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the Bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to the Board or to propose matters to be acted upon at a stockholders’ meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in the Board, and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in the Board or management, that stockholders may consider to be in their best interests.

Our Charter designates a state or federal court located within the State of Delaware as the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, stockholders, employees, or agents.

Our Charter provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, employee, or agent of the Company to us or our stockholders, (iii) any action arising pursuant to any provision of the DGCL or our Charter or Bylaws (as either may be amended from time to time), or (iv) any action asserting a claim against us governed by the internal affairs doctrine. The forgoing provisions do not apply to any claims arising under the Securities Act and, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States will be the sole and exclusive forum for resolving any action asserting a claim arising under the Securities Act.

These choice of forum provisions in our Charter may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. It is possible that a court could find these types of provisions to be inapplicable or unenforceable, and if a court were to find the choice of forum provision contained in our Charter 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, results of operations, and financial condition.

Item 1B. Unresolved Staff Comments

None

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. We invest in cybersecurity to protect intellectual property, customer data, manage reputational risk, and maintain business continuity across our devices, applications, and corporate networks. We strive to ensure ongoing compliance with the requirements under relevant standards including the Payment Card Industry Data Security Standards and relevant data privacy and protection laws and regulations. Additionally, our teams reference the standards, guidelines, and practices from the NIST Cybersecurity Framework (CSF) to align our cybersecurity program and risk management practices.

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

Identifying and assessing cybersecurity risk is part of our overall risk management systems and processes. Cybersecurity risks related to our business, technical operations, privacy and compliance issues are identified and addressed through a combination of third party assessments, IT security, governance, risk and compliance reviews, external audits and assessments, penetration tests, vulnerability scans, and recurring review from our internal cybersecurity working group. We respond to cybersecurity incidents and address identified cybersecurity risks through our internal cybersecurity working group and report any material findings and incidents to the audit committee of our board of directors.

The cybersecurity incident response process is governed by our incident response plan and overseen by leaders from our IT security and legal teams.

Security events and data incidents are evaluated, ranked by severity and prioritized for response and remediation. Incidents are evaluated to determine materiality as well as operational and business impact and reviewed for privacy impact.

We also conduct tabletop exercises annually, to simulate responses to cybersecurity incidents and ensure accuracy and continuous improvement of the incident response plan. Our team of cybersecurity professionals then collaborate with other stakeholders across our organization to further analyze the risk to the Company and form detection, mitigation and remediation strategies.

We are not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition. However, we cannot provide assurance that we will not be materially affected in the future by such risks or any future material incidents.

Leveraging our cybersecurity risk management processes, cybersecurity risk factors were identified, which are inherent to our business and industry. The risk factors discussed in this section should be considered together with information included elsewhere in this Annual Report on Form 10-K and should not be considered the only risks to which we are exposed. Additionally, mitigation of these risk factors is tracked by management as part of our 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 fulfillment center 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.

As part of the above processes, we regularly engage external auditors and consultants to assess our internal cybersecurity programs and compliance with applicable regulatory requirements and industry standards.

Our cybersecurity risk management program evaluates the risk associated when selecting third-party service providers. In addition to new vendor onboarding, critical vendors are reviewed annually to ensure understanding of their cybersecurity posture, and their responsibility in protecting our asset appropriately.

As of the date of this filing, we have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition. We face risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. For additional information, see Part I, Item 1A, *Risk Factors-Risks Related to Our Business* .

Cybersecurity Governance

Cybersecurity is an area of focus for our board of directors, audit committee, and management. As part of our board of directors' overall responsibility for oversight of management's general risk identification and management activities, our the audit committee of our board of directors is responsible for the oversight of risks from cybersecurity threats. Members of the audit committee review and discuss with management and our auditors quarterly the Company's cybersecurity risks and the steps that management has taken to protect against threats to the Company's information systems and security and review risk and mitigation steps taken by management related to data privacy.

Our cybersecurity risk management and strategy processes are overseen by leaders from our IT Security, external advisors, and legal teams. These individuals are informed about, and monitor the identification, mitigation, detection and remediation of cybersecurity incidents through their management of, and participation in, the cybersecurity risk management and strategy processes described above.

Item 2. Properties

All of our physical properties are located within the United States. Our corporate headquarters are in San Francisco, California where we leased approximately 38,800 square feet of office space. In March 2024, we terminated the old lease and entered into a new lease reducing the amount of office space we lease in the same building to approximately 7,800 rentable square feet. That lease will expire on May 31, 2027.

We lease three fulfillment centers in Pennsylvania, Nevada and Missouri. We plan to close our Missouri location in the second quarter of 2024 to optimize for cost and operational efficiencies. The remaining leases represent approximately a combined 518,000 square feet of space. We believe our current properties are more than sufficient for our needs.

Item 3. Legal Proceedings

We have become, and may in the future become, subject to various legal claims, charges and litigation matters. If we are found to have violated laws, rules or regulations we could be subject to various fines, penalties and/or damages awards and our business, operating condition and financial results could be harmed. In addition, as a part of litigation, we may be enjoined from certain business practices we have conducted historically, which could harm our business, operating results and financial condition.

As noted in "Item 1A Risk Factors," the Consumer Protection Division of the Santa Clara County District Attorney's Office, in conjunction with other county and city prosecutors, is currently investigating our automatic renewal practices, and the Federal Trade Commission is currently investigating our billing and automatic renewal practices. As of the date of this filing, no legal proceeding has commenced regarding these investigations.

Item 4. Mine Safety Disclosures

None

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A Common Stock are currently listed on the NYSE under the ticker symbol "GROV". There is no public trading market for our Class B common stock. The Company's public warrants trade on an over-the-counter exchange.

Holders of Record

As of December 31, 2023, there were 366 and 335 stockholders of record of our Class A Common Stock and Class B common stock, respectively. The actual number of holders of our Class A and Class B common stock may be greater than the number of record holders, and may include stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees. The number of holders of record presented here also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid cash dividends on our Class A or Class B common stock. We currently intend to retain all available funds and future earnings to fund the development and expansion of our business, and do not anticipate paying any cash dividends in the foreseeable future. Any future determination regarding the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

Securities Authorized For Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Annual Report for the required information.

Recent Sales of Unregistered Securities

Our unregistered sales of equity securities during the year ended December 31, 2023 were previously included in our Current Report on Form 8-K filed on August 14, 2023.

Item 6. Selected Financial Data

No disclosure required by Item 301 of Regulation S-K as in effect on the date of this Annual Report.

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

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the consolidated financial statements and related notes included in Item 8 of this report.

In addition to historical information, this discussion and analysis contains forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those discussed in the section titled "Risk Factors" and elsewhere in this Annual Report on Form 10-K, that could cause actual results to differ materially from historical results or anticipated results. Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "Grove," "we," "us," and "our" refer to Grove Collaborative Holdings, Inc., a Delaware public benefit corporation formerly known as Virgin Group Acquisition Corp. II., and its consolidated subsidiary. References to Virgin Group Acquisition Corp. II. or "VGAC II" refer to the Company prior to the consummation of the Business Combination.

A discussion regarding our financial condition and results of operation for fiscal 2023, compared to fiscal 2022, is presented below. A discussion regarding our financial condition and results of operations for fiscal 2022, compared to fiscal 2021, can be found under Item 7 in our Annual Report on Form 10-K for fiscal 2022, filed with the SEC on March 16, 2023, which is available on the SEC's website at www.sec.gov and on the SEC Filings section of the Investor Relations section of our website at: https://investors.grove.co/.

Overview

Grove is a sustainability-oriented consumer products company. We use our connection with consumers to create and curate authentic, disruptive brands and products. We build natural products that perform as well as or better than many leading CPG brands (both conventional and natural), while being healthier for consumers and the planet.

Our omnichannel distribution strategy enables us to reach consumers where they want to shop. We operate an online direct-to-consumer website and mobile application ("DTC platform") where we both sell our Grove-owned brands ("Grove Brands") and partner with other leading natural and mission-based CPG brands, providing consumers with a selection of curated products across many categories and brands. We expanded into brick-and-mortar retail in April 2021 with the launch of a curated assortment of Grove Co. best sellers in cleaning, hand and dish categories at Target and have since established additional retail partnerships with Amazon, CVS, Meijer, and Kroger. Our products were sold in over 7,500 stores across these retail partnerships as of December 31, 2023. We believe our retail strategy will generate additional brand awareness, especially as consumer concerns about single-use plastic continue to rise.

Grove is a public benefit corporation and a Certified B Corporation, meaning we adhere to third party standards for prioritizing social, environmental, and community well-being. We have a history of doing well by doing good, which is supported by our flywheel: as we have grown, our product development capabilities and data have improved. Over the long term, we believe that improved innovation grows both topline and, over the long term, can expand margins as our innovation has historically tended to be both market expanding and margin accretive. Since inception, we have invested heavily in building out both our e-commerce platform and Grove Brands, and over this period we have operated at a loss. We have an accumulated deficit of $621.1 million as of December 31, 2023. Beginning in the second half of 2022, we began to substantially reduce our operating expenses across the business in support of our drive toward profitability. These expense reductions, particularly in advertising, have resulted in a substantial decline in our revenue. While we have made significant progress, we anticipate that we may continue to incur losses in the future unless and until we can grow our revenue to exceed our operating expenses. Refer to Liquidity, Capital Resources and Requirements below for more information.

Business Combination

On June 16, 2022 (the "Closing Date"), we became a publicly traded company as a result of the consummation of our merger with Virgin Group Acquisition Corp. II, a Cayman-domiciled blank check company ("VGAC" II"), which we refer to herein as the "Business Combination".

On December 7, 2021, concurrently with the execution of the Merger Agreement, VGAC II entered into subscription agreements with certain investors (the "PIPE Investors") to which such investors collectively subscribed for an aggregate of 1,741,500 shares of Class A Common Stock at $10.00 per share for aggregate gross proceeds of $87,075,000 (the "PIPE

Investment”). 1,721,500 shares of Class A Common Stock have been issued for aggregate proceeds of $86,075,000, which consummated concurrently with the closing of the Business Combination.

On March 31, 2022, VGAC II entered into a Subscription Agreement with Corvina Holdings Limited (the “Backstop Investor”), where the Backstop Investor agreed to purchase, on the closing date of the Business Combination, certain shares of Class A Common Stock at a purchase price of $50.00 per share (“Backstop Tranche 2 Shares”) for aggregate gross proceeds in an amount equal to (x) $22.5 million minus (y) the amount of aggregate cash remaining in VGAC II’s trust account, after deducting any amounts paid to VGAC II shareholders who exercised their redemption rights in connection with the Business Combination.

We completed the Business Combination and PIPE Investment on June 16, 2022, pursuant to which we received total gross proceeds of $97.1 million, including proceeds from the issuance of Backstop Tranche 2 Shares.

Reverse Stock Split

On May 24, 2023, our board of directors and stockholders approved a five-for-one reverse split (the “Reverse Split”) of our issued and outstanding Class A and Class B common stock. The Class A common stock began trading on a split-adjusted basis on the NYSE at the market open on June 6, 2023. No fractional shares were issued in connection with the Reverse Stock Split.

Restructuring and Facilities Closures

As a part of our focus on reducing our operating expenses and focus on becoming profitable, we have recently implemented company-wide workforce restructurings and facilities reductions. In connection with the reorganizations, we recorded charges totaling $3.8 million related to the reductions in our workforce and headquarters office footprint in 2023. We expect to incur additional charges in connection with the planned closure of our Missouri fulfillment center in the second quarter of 2024.

Key Factors Affecting Our Operating Performance

We believe that our future business is dependent on many factors. While each of these factors presents significant opportunities for us, they also pose important challenges that we must successfully address to enable us to grow our business and improve our operations while staying true to our mission, including those discussed below and in the section entitled “Risk Factors”.

Ability To Grow our Brand Awareness

Our brand is integral to the growth of our business and is essential to our ability to engage with our community. Our performance will depend on our ability to profitably attract new customers and encourage consumer spending across our product portfolio. We believe the core elements of continuing to grow our brand awareness in a manner that increases our market penetration are highlighting our products’ qualities of being natural, sustainable and effective, the effectiveness of our marketing efforts and the success of our continued retail rollout.

Ability to Continue to Innovate in Products and Packaging

Our continued product innovation is integral to our future growth. We have developed and launched over 500 individual products in recent years. The research, development, testing and improvement has been led by our research and development team, which includes experienced chemists and formulators, who work closely with our sustainability team. These new and innovative products, as well as our focus on environmentally responsible packaging, have been key drivers of our value proposition to date. An important element of our product development strategy is our ability to engage directly with customers through our DTC platform to assess demand and market preferences. To the extent our customers increasingly access our products through retail channels, we will need to find ways to maintain this important feedback loop. Our continued success in research and development and ability to assess customer needs and develop sustainable and effective products will be central to attracting and retaining consumers in the future and to growing our market penetration and our impact on human and environmental health.

Ability to Expand our Retail Distribution

We have a significant opportunity to expand our distribution in retail channels, both broadening our partner reach and introducing our products across more doors within a single partner. We also have the opportunity to deepen our retail distribution by increasing the number of retail products. We are pursuing partnerships with a wide variety of retailers, including big-box retailers, online retailers, grocery stores, drugstores and specialty retailers. Our ability to execute this strategy will depend on a number of factors, such as retailers' satisfaction with the sales and profitability of our products. In the near-term, retail expansion will require partnerships with retailers on launches and we may choose to invest in promotions to drive sales and awareness over time. To the extent we are successful in retail expansion over the next several years, we expect to see potential negative effects on gross margins resulting from the retail cost structure to be approximately offset by savings in fulfillment costs driven by bulk shipping to retailers versus individualized fulfillment to consumers, through our fulfillment centers.

Cost-Efficient Acquisition of New Customers and Retention of Existing Customers on our DTC Platform

Our ability to attract new customers is a key factor for our future growth. To date we have successfully acquired new customers through many online and offline marketing channels. In recent years, changes in the algorithms used for targeting and purchasing online advertising, changes to privacy and online tracking, supply and demand dynamics in the market, and other factors have caused the cost of marketing on these channels to increase consistently. We made changes in 2023 to our online purchase flow and subscription process. During the transition, we experienced a reduction of the rate at which visitors convert into subscribers, which has made it more difficult to cost-effectively acquire subscribers. We began to launch improvements to this process in 2024. Failure to effectively adapt to changes in online marketing dynamics or changes to our internet platform, or to otherwise attract customers on a cost-efficient basis would adversely impact our path to profitability and operating results. Recently, we have implemented a lower-spend strategy to optimize the cost of acquiring new customers. Our ability to balance cost-efficient acquisitions while driving consumer awareness may impact the cost of acquiring new customers, profitability and operating results.

The future activity level and profitability of our DTC customer base will depend on our ability to continue to offer a compelling value proposition to consumers including strong selection, pricing, customer service, smooth and compelling web and mobile app experience, fast and reliable fulfillment, and curation within natural and sustainable products. Our success is also dependent on our ability to maintain relevance with our consumers on a regular basis through high performing products and a consumer-friendly refill and fulfillment process, and most importantly to provide consumers with products that consistently outperform their expectations. Our ability to execute on these key value-driving areas for consumers, and to remain competitive and compelling in a post-pandemic landscape, are necessary for our future growth. A lack of success in these areas would materially impact our operating results and financial performance.

Ability to Achieve Profitable Growth; Positive Cash Flow and Scale

We believe we are in the early stages of realizing a substantial opportunity to transform the consumer products industry into a force for human and environmental good by relentlessly creating and curating planet-first, high-performance brands and products. After experiencing high rates of growth prior to and in part driven by the COVID-19 pandemic, in 2022 and 2023 we have substantially reduced our expense structure and operations in light of declining revenue, and as a result we have reduced our operating losses and cash consumption commensurately. To grow and achieve profitability over the longer term, we will need to expand our DTC business, continue to grow our retail presence and achieve scale that will allow us to drive efficiencies in generating brand awareness, acquiring customers, creating operating leverage over headcount and other overhead, and fulfilling orders. Our recent gains in approaching profitability may not be sustainable in the near term due to the effects of seasonality, steps we may take to drive growth or other factors. If we are unable to achieve profitable growth, our prospects may be materially and adversely affected.

Key Operating and Financial Metrics

In addition to our condensed consolidated financial statements, included elsewhere in this Annual Report on Form 10-K, we assess the performance of our overall business using the following metrics and measures, among others. We use the metrics to aid us in identifying trends, formulating financial projections, making strategic decisions, assessing operational efficiencies and monitoring our business.

We believe that the future of CPG brand building and consumer demand is omnichannel. Our DTC platform remains a core part of our strategy and customer value proposition in addition to providing key data and customer feedback driving our innovation process. We kicked off our expansion into brick and mortar retail in April 2021 with the launch of a curated assortment of Grove Co. products at Target. We continued to expand into other retailers, including Amazon, CVS, Meijer, and Kroger.

The following table presents our key operating metrics for the periods presented:

	Year Ended December 31,		
(in thousands, except DTC Net Revenue Per Order and percentages)	2023	2022	2021
Financial and Operating Data			
Grove Brands % Net Revenue	46 %	48 %	49 %
DTC Total Orders	3,852	5,248	6,860
DTC Active Customers	920	1,377	1,640
DTC Net Revenue Per Order	$ 64	$ 59	$ 56

Grove Brands % Net Revenue

We define Grove Brands % Net Revenue as total net revenue across all channels attributable to Grove Brands, including: Grove Co., Honu, Peach, Rooted Beauty and Superbloom divided by our total net revenue. On our DTC Platform, our total net revenue includes revenue from both Grove Brands and third-party brands that we carry, whereas for our retail sales total net revenues is comprised exclusively of revenue from Grove Brand products. In the year ended December 31, 2023, Grove Brands % Net Revenue declined due to a decrease in Grove Brands products in existing customer orders as we continue to expand our third-party offering and a decrease in new customer orders, which include more Grove Brands products.

DTC Total Orders

We determine our number of DTC Total Orders by counting the number of customer orders submitted through our website and mobile application that have been shipped within the period. The metric includes orders that have been refunded, excludes reshipments of customer orders for any reason including damaged and missing products, and excludes retail orders. Refunded orders are included in DTC Total Orders as we believe this provides more meaningful order management performance metrics, including fulfillment cost efficacy and refund rates. Changes in DTC Total Orders in a reporting period capture both the inflow of new customers, changes in order frequency of existing customers and customer attrition. We view the number of Total DTC Orders as a key indicator of trends in our DTC platform, and our future success in this channel will depend in part on our ability to drive growth through new customer acquisition and by increasing existing customer engagement. In the year ended December 31, 2023, DTC Total Orders declined primarily due to our reduction in advertising spend, resulting in fewer new customers and therefore fewer overall orders.

DTC Active Customers

As of the last day of each reporting period, we determine our number of DTC Active Customers by counting the number of individual customers who submitted orders through our DTC platform, and for whom an order has shipped, at least once during the preceding 364-day period. The change in active customers in a reporting period captures both the inflow of new customers as well as the outflow of customers who have not made a purchase in the last 364 days. We view the number of active customers as one of the key indicators of growth in our DTC channel. In the year ended December 31, 2023, DTC Active Customers declined primarily due to our reduction in advertising spend resulting in fewer new customers and therefore fewer overall orders.

DTC Net Revenue Per Order

We define DTC Net Revenue Per Order as our DTC Total Net Revenue in a given reporting period, divided by the DTC Total Orders in that period. We view DTC Net Revenue per Order as a key indicator of the performance of our DTC business. DTC Net Revenue Per Order increased in the year ended December 31, 2023 compared to the prior year comparative period as a result of an increase in the fees that customers pay per order as well as the introduction of strategic price increases on Grove Brands and third party products.

Non-GAAP Financial Measures: Adjusted EBITDA and Adjusted EBITDA Margin

We prepare and present our financial statements in accordance with U.S. GAAP ("GAAP"). In addition, we believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. For these reasons, management uses Adjusted EBITDA in evaluating our operating performance and resource allocation and forecasting. As such, we believe Adjusted EBITDA provides investors with additional useful information in evaluating our performance.

We calculate Adjusted EBITDA as net income (loss), adjusted to exclude: stock-based compensation expense; depreciation and amortization; remeasurement of convertible preferred stock warrant liability; changes in fair values of derivative liabilities; transaction costs allocated to derivative liabilities upon closing of the Business Combination; interest income; interest expense; restructuring and severance related costs; loss on extinguishment of debt; provision for income taxes and certain litigation and legal settlement expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by net revenue. Because Adjusted EBITDA excludes these elements that are otherwise included in our GAAP financial results, this measure has limitations when compared to net loss determined in accordance with GAAP. Further, Adjusted EBITDA is not necessarily comparable to similarly titled measures used by other companies. For these reasons, investors should not consider Adjusted EBITDA in isolation from, or as a substitute for, net loss determined in accordance with GAAP.

The following table presents a reconciliation of net loss, the most directly comparable financial measure stated in accordance with GAAP, to Adjusted EBITDA, for each of the periods presented.

	Year Ended December 31,		
	2023	2022	2021
Reconciliation of Net Loss to Adjusted EBITDA	(in thousands)		
Net loss	$ (43,232)	$ (87,715)	$ (135,896)
Stock-based compensation	15,513	45,660	14,610
Depreciation and amortization	5,824	5,716	4,992
Remeasurement of convertible preferred stock warrant liability	—	(1,616)	1,234
Changes in fair value of derivative liabilities	(216)	(71,532)	—
(Reduction of transaction costs) deferred offering costs allocated to derivative liabilities upon Business Combination	(3,745)	6,873	—
Interest income	(3,773)	(521)	—
Interest expense	16,077	9,685	5,202
Restructuring expenses [1]	3,811	8,879	—
Loss on extinguishment of debt	—	4,663	1,027
Provision for income taxes	38	54	52
Litigation and legal settlement expenses	520	—	—
Total Adjusted EBITDA	$ (9,183)	$ (79,854)	$ (108,779)
Net loss margin	(16.7)%	(27.3)%	(35.4)%
Adjusted EBITDA margin	(3.5)%	(24.8)%	(28.4)%

[1] Restructuring expenses for the year ended December 31, 2023 consisted of $1.3 million in severance-related charges and $2.5 million related to operating lease right-of-use and fixed asset impairment charges. For the year ended December 31, 2022, restructuring expenses included $3.6 million in severance-related charges and $5.3 million related to right-of-use asset impairment charges.

Components of Results of Operations

Revenue, Net

We generate revenue primarily from the sale of both third-party and our Grove Brands products through our DTC platform. Customers purchase products through the website or mobile application through a combination of directly selecting items from the catalog, items that are suggested by our recommendation engine, and featured products that appear in marketing on-site, in emails and on our mobile application. Most customers purchase a combination of products recommended by us based on previous purchases and new products discovered through marketing or catalog browsing. Customers can opt to have orders auto-shipped to them on a specified date or shipped immediately through an option available on the website and mobile application. We also generate revenue from the sale of our Grove Brands products to the retail channel.

We recognize revenue from the sale of our products through our DTC platform net of discounts, sales tax, customer service credits and estimated refunds. Sales tax collected from customers is not considered revenue and is included in accrued liabilities until remitted to the taxing authorities.

Cost of Goods Sold

Cost of goods sold consists of the product costs of merchandise, inbound freight costs, vendor allowances, costs associated with inventory shrinkage and damages and inventory write-offs and related reserves.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of goods sold. Gross margin is gross profit expressed as a percentage of revenue. We generally record higher gross margins associated with sales of Grove Brands products compared to sales of third-party products. To help motivate first-time customers to purchase on our DTC platform, we generally offer higher discounts and free product offerings, and as a result our overall margins can be adversely affected in periods of rapid new customer acquisition. Our gross margin also fluctuates from period to period based on promotional activity, product and channel mix, the timing of promotions and launches, and inbound transportation rates, among other factors. Our gross profit and gross margin may not be comparable with that of other retailers because we include certain fulfillment related costs in selling, general, and administrative expenses while other retailers may include these expenses in cost of goods sold.

Operating Expenses

Our operating expenses consist of advertising, product development, and selling, general and administrative expenses.

Advertising

Advertising costs are expensed as incurred and consist primarily of our customer acquisition costs associated with online advertising, as well as advertising on television, direct mail campaigns and other media. Costs associated with the production of advertising are expensed when the first advertisement is shown. We expect to maintain advertising costs at current levels as a percent of revenue through fiscal year 2024 in an effort to optimize the cost of acquiring new customers, while balancing driving consumer awareness and cash flow management.

Product Development

Product development expenses are related to the ongoing support and maintenance of our proprietary technology, including our DTC platform, as well as amortization of capitalized, internally developed software, and related to the product and packaging innovation in our Grove Brands products. Product development expenses consist primarily of personnel-related expenses, including salaries, bonuses, benefits and stock-based compensation expense. Product development costs also include allocated facilities, equipment, depreciation and overhead costs. We expect product development costs as a percentage of revenue to be consistent with 2023 as we balance our investments in our proprietary technology, the expansion of our product line, innovative packaging and product improvements with revenue growth.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of compensation and benefit costs for personnel involved in general corporate functions, including stock-based compensation expense, and certain fulfillment costs, as further outlined below. Selling, general and administrative expenses also include the allocated facilities, equipment, depreciation and overhead costs, marketing costs including qualified cost of credits issued through our referral program, costs associated with our customer service operation, and costs of environmental offsets. While selling, general and administrative expenses increased as a result of activities related to the Business Combination and becoming a public company in 2022, selling, general and administrative expenses have declined in 2023 as a result of decreases in fulfillment costs, the absence of charges and transactional expenses related to our becoming a publicly traded-company and cost management initiative. We expect to continue to drive efficiencies in selling, general & administrative expenses throughout 2024.

Fulfillment costs represent those costs incurred in operating and staffing our fulfillment centers, including costs attributable to receiving, inspecting and warehousing inventories, picking, packing and preparing customer orders for shipment ("Fulfillment Labor"), shipping and handling expenses, packing materials costs and payment processing and related transaction costs. These costs are included within selling, general and administrative expenses in the statements of operations. We expect fulfillment costs to be consistent with 2023 on a per order basis.

Interest and Other Expense (Income), Net

Interest expense consists primarily of interest expense associated with our debt financing arrangements. Due to higher interest rates on our Structural Debt Facility (as defined below) and increases in the prime rate, we anticipate cash payments for interest and interest expense to fluctuate as interest rates change in the future.

Other income, net consists primarily of changes in fair values of Additional Shares, Earn-Out Shares, Public and Private Placement Warrant and Structural Derivative liabilities, transaction costs allocated to derivative liabilities upon Business Combination, interest income and losses or gains on remeasurement of our convertible preferred stock warrant liabilities. With increases in the prime rate, we expect increasing interest income on our deposits to partially offset the significant increase in interest expense related to our borrowings. Changes in the fair value of our derivative liabilities may fluctuate significantly in future periods primarily due to fluctuations in the fair value of our common stock.

Provision for Income Taxes

We account for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statements and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We recognize the benefits of tax-return positions in the financial statements when they are more likely than not to be sustained by the taxing authority, based on the technical merits at the reporting date. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. We recognize interest and penalties related to unrecognized tax benefits, if any, as income tax expense.

Results of Operations

The following table sets forth our results of operations for each period presented:

	Year Ended December 31,		
	2023	2022	2021
	(in thousands)		
Revenue, net	$ 259,278	$ 321,527	$ 383,685
Cost of goods sold	121,919	166,875	195,181
Gross profit	137,359	154,652	188,504
Operating expenses:			
Advertising	21,292	66,269	107,313
Product development	16,401	22,503	23,408
Selling, general and administrative	134,929	206,863	186,638
Operating loss	(35,263)	(140,983)	(128,855)
Non-operating expenses:			
Interest expense	16,077	9,685	5,202
Loss on extinguishment of debt	—	4,663	1,027
Changes in fair value of derivative liabilities	(216)	(71,532)	—
Other expense (income), net	(7,930)	3,862	760
Total non-operating expenses (income), net	7,931	(53,322)	6,989
Loss before provision for income taxes	(43,194)	(87,661)	(135,844)
Provision for income taxes	38	54	52
Net loss	$ (43,232)	$ (87,715)	$ (135,896)

The following table sets forth our statements of operations data expressed as a percentage of revenue:

	Year Ended December 31,		
	2023	2022	2021
	(as a percentage of revenue)		
Revenue, net	100 %	100 %	100 %
Cost of goods sold	47	52	51
Gross profit	53	48	49
Operating expenses:			
Advertising	8	21	28
Product development	6	7	6
Selling, general and administrative	52	64	49
Operating loss	(13)	(44)	(34)
Non-operating expenses:			
Interest expense	6	3	1
Loss on extinguishment of debt	—	1	—
Changes in fair value of derivative liabilities	—	(22)	—
Other expense (income), net	(3)	1	—
Total non-operating expenses (income), net	3	(17)	1
Loss before provision for income taxes	(17)	(27)	(35)
Provision for income taxes	—	—	—
Net loss	(17)%	(27)%	(35)%

Comparisons of the Year Ended December 31, 2023 and December 31, 2022

Revenue, Net

	Year Ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Revenue, net:				
Grove Brands	$ 119,006	$ 154,854	$ (35,848)	(23)%
Third-party products	140,272	166,673	$ (26,401)	(16)%
Total revenue, net	$ 259,278	$ 321,527	$ (62,249)	(19)%

Revenue decreased by $62.2 million, or 19% for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily driven by a decrease in DTC Total Orders and in DTC Active Customers, which were due primarily to the reduction in advertising spend, partially offset by increases in DTC Net Revenue Per Order.

Cost of Goods Sold and Gross Profit

	Year Ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Cost of goods sold	$ 121,919	$ 166,875	$ (44,956)	(27)%
Gross profit	137,359	154,652	(17,293)	(11)%
Gross margin	53 %	48 %		5 %

Cost of goods sold decreased by $45.0 million, or 27%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily driven by a decrease in DTC Total Orders due primarily to the reduction in advertising spend.

Gross margin in the year ended December 31, 2023 increased by 488 basis points compared to the year ended December 31, 2022 due to launching a fee customers paid in connection with their purchase, a decrease in the number of lower-margin first orders as a percentage of total orders, and reductions to our inventory reserve charges as compared to the prior period.

Operating Expenses

Advertising Expenses

	Year Ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Advertising	$ 21,292	$ 66,269	$ (44,977)	(68)%

Advertising expenses decreased by $45.0 million, or 68%, for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to implementing a lower-spend strategy which optimizes the cost of acquiring new customers, while balancing consumer awareness and cash flow management. Online advertising expenses decreased by $18 million, television advertising expenses decreased by $12.7 million, other advertising campaigns including advertising focused specifically to attract retail customers declined by $4.3 million, creative content production costs decreased by $3.9 million, and audio advertising decreased by $2.0 million.

Product Development Expenses

	Year Ended December 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Product development	$ 16,401	$ 22,503	$ (6,102)	(27)%

Product development expenses decreased by $6.1 million, or 27% for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to a $3.8 million decrease in salaries and benefits from reductions in headcount, including severance-related expenses. Additionally, there was a $1.5 million decrease in stock-based compensation expense.

Selling, General and Administrative Expenses

	Year Ended December 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Selling, general and administrative	$ 134,929	$ 206,863	$ (71,934)	(35)%

Selling, general and administrative expenses decreased by $71.9 million, or 35% for the year ended December 31, 2023 as compared to the year ended December 31, 2022. Stock-based compensation expense decreased by $27.8 million as the Company was required to record $11.0 million of catch-up of expense in June 2022 for certain of the Company's restricted stock units and $5.5 million for certain stock options as a result of meeting the performance vesting condition when we became publicly-traded, $5.2 million due to lower expense under the accelerated attribution method of accounting for awards granted prior to the closing of the Business Combination, $2.0 million due the initial issuance of the HGI Warrant Shares (see Note 10, Common Stock and Warrants in Item 8. Financial Statements of this Form 10-K) and reductions in headcount. Fulfillment costs decreased by $23.4 million, including a $14.6 million decrease in shipping and handling expenses and $6.2 million decrease in Fulfillment labor. The decrease in shipping and handling expenses was driven by a decrease in the volume of orders and carrier mix, partially offset by an increase in carrier rates. The decrease in Fulfillment Labor was due to a decrease in the volume of orders and the ability to fulfill orders more efficiently. Other general and administrative expenses, excluding stock-based compensation expense and fulfillment costs, decreased by $20.8 million, from decreases in corporate salaries and benefits from reductions in headcount and decrease in professional fees and marketing expenses related to our cost management initiatives.

Interest Expense

	Year Ended December 31,		Change	
	2023	2022	Amount	%
		(in thousands)		
Interest expense	$ 16,077	$ 9,685	$ 6,392	66 %

Interest expense increased by $6.4 million, or 66% for the year ended December 31, 2023 as compared to the year ended December 31, 2022 primarily due to increases in rates incurred on our debt facilities and increases in total outstanding borrowings. See the section titled "Liquidity and Capital Resources" below for further details.

Non-operating expenses (income), net

	Year Ended December 31,		Change	
	2023	2022	Amount	%
	(in thousands)			
Loss on extinguishment of debt	$ —	$ 4,663	$ (4,663)	*
Changes in fair value of derivative liabilities	(216)	(71,532)	71,316	*
Other expense (income), net	(7,930)	3,862	(11,792)	(305)%

* Change not meaningful.

Loss on extinguishment of debt resulted from refinancing of certain of our loan facilities during the year ended December 31, 2022. See the section titled “Liquidity and Capital Resources—Loan Facilities” below for further details.

The change in the fair value of derivative liabilities for the year ended December 31, 2023, other than the Structural Derivative liability, was primarily driven by the changes in our stock price from December 31, 2022 through December 31, 2023. The change in fair value of the Structural Derivative liability for the year ended December 31, 2023 was driven by the passage of time to when the Structural Subsequent Shares could be issued.

Other expense (income), net decreased by $11.8 million for the year ended December 31, 2023 as compared to the year ended December 31, 2022, primarily due to a $10.5 million reduction of transaction costs allocated to liability instruments acquired in the Business Combination and a $2.9 million increase in interest income from our operating accounts due to increases in market rates.

Liquidity, Capital Resources and Requirements

As of December 31, 2023, we had total cash and cash equivalents of $86.4 million (excluding restricted cash of $8.5 million). We have incurred significant losses since inception. We have an accumulated deficit of $621.1 million and we incurred negative cash flows from operating activities of $8.0 million for the year ended December 31, 2023. To date, we have funded our operations principally through convertible preferred stock and common stock financings, the incurrence of debt and the Closing of the Business Combination. We received cash proceeds, net of transaction costs from the Closing of the Business Combination on June 16, 2022, of $86.0 million. We have total outstanding indebtedness of $71.7 million, net of debt issuance costs, as of December 31, 2023.

On August 11, 2023 (the "Preferred Stock Closing Date"), we entered into a subscription agreement (the "Preferred Stock Subscription Agreement") with Volition Capital Fund IV, L.P. ("Volition") and received gross proceeds of $10.0 million in exchange for 10,000 shares of our Series A Redeemable Convertible Preferred Stock (the "Preferred Stock"), a warrant to purchase 1,579,778 shares of our Class A common stock at an exercise price of $6.33 (the "Volition Warrants") and a warrant to purchase 20,905 shares of our Class A common stock at an exercise price of $0.01 per share (the "Volition Penny Warrants"). Following the seventh anniversary of the Preferred Stock Closing Date, Volition can require the Company to redeem for cash all shares of Preferred Stock. The holders of the Preferred Stock are entitled to receive cumulative dividends at the rate of 6% per annum of the original issuance price of each share. Such accruing dividends are payable only when, as and if declared by our board of directors.

On March 10, 2023, we entered into the Siena Revolver (defined below) with Siena Lending Group, LLC ("Siena") which permits us to receive funding through a revolving line of credit with an initial commitment of $35.0 million. The total borrowing capacity under the Siena Revolver is subject to certain conditions, including our inventory and accounts receivable balances and other limitations as specified in the agreement.

In December 2022, we entered into the Structural Debt Facility (as defined below) and are scheduled to begin to make principal payments on the Structural Debt Facility beginning on July 1, 2025 over a period of 18 months.

On July 18, 2022, we entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD. ("Yorkville"), whereby we have the right, but not the obligation, to sell to Yorkville up to $100 million of our shares of common stock until July 18, 2025, subject to certain conditions. The shares of our common stock that may be issued under the SEPA may be sold by us to Yorkville at our discretion from time to time and sales of our common stock under the SEPA will depend upon market conditions and other factors. Additionally, in no event may we sell more than 6,511,532 shares of our common stock to Yorkville under the SEPA, which number of shares is equal to 19.99% of the shares of the Company's common stock outstanding immediately prior to the execution of the Equity Purchase Agreement (the "Exchange Cap"), unless we obtain stockholder approval to issue shares of common stock in excess of the Exchange Cap in accordance with applicable NYSE rules or comply with certain other requirements as described in the Equity Purchase Agreement. As a result, unless our average stock price under the SEPA exceeds $15.33, we will be unable to sell the full $100.0 million commitment to Yorkville without seeking stockholder approval to issue additional shares in excess of the Exchange Cap. As of February 29, 2024, under the terms of the SEPA we would be able to raise gross proceeds of approximately $11.9 million,. As of December 31, 2023, we have sold 147,965 shares under the SEPA and there were 6,363,567 shares available to be sold to Yorkville under the Exchange Cap.

Management believes that currently available resources will provide sufficient funds to enable the Company to meet its obligations for at least one year past the date these consolidated financial statements, included elsewhere in this Form 10-K, are available to be issued. We anticipate that we will continue to incur operating losses and generate negative cash flows from operations in the future as we continue to invest in advertising and other strategic incentives planned for future growth. Cash from operations could be affected by our customers and other risks detailed in the section of our titled "Risk Factors." As a result, we expect to require additional capital resources to execute strategic initiatives and fund our operations, prior to achieving break even or positive operating cash flow. We expect to continue to opportunistically seek access to additional funds by utilizing the SEPA, Siena Revolver, through additional public or private equity offerings or debt financings, through partnering or other strategic arrangements, through the exercise of certain of our warrants, or a combination of the foregoing. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company, or at all.

Our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide, including the trading price of common stock. To the extent that we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Debt financing arrangements may require us to pledge certain assets or enter into covenants that could restrict our operations or our ability to pay dividends or other distributions on our common stock or incur further indebtedness. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. In addition, our Class A Common Stock trading price may not exceed the respective exercise prices of our Public Warrants, Private Placement Warrants, warrants granted to HGI (as defined below), Volition Warrants, and/or our Legacy Grove Warrants before the respective warrants expire, and therefore we may not receive any proceeds from the exercise of warrants to fund our operations. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be materially and adversely affected.

Contractual Obligations and Other Commitments

Our most significant contractual obligations relate to our loan facilities, purchase commitments on inventory and operating lease obligations on our fulfillment centers and corporate offices. As of December 31, 2023, we had $14.1 million of enforceable and legally binding inventory purchase commitments predominantly due within one year. For information on our contractual obligations for operating leases, see “Leases” in Note 8 of the Notes to our audited consolidated financial statements as of and for the years ended December 31, 2023 and December 31, 2022 included in this filing on Form 10-K.

Loan Facilities

Structural Debt Facility

In December 2022, we entered into the Structural Debt Facility to borrow gross proceeds of $72.0 million which was used primarily to settle outstanding obligations with another lender. The Structural Debt Facility bears an annual rate of interest at the greater of 15.00% or 7.50% plus the prime rate, payable monthly. The principal repayment period commences on July 1, 2025 and continues until the maturity date of December 21, 2026. The Company may prepay all outstanding amounts under this facility at any time. Under the agreement, when amounts are prepaid or repaid in full at the Maturity Date, the Company may be obligated to pay additional fees which would allow for the lenders to reach a Minimum Return.

The Structural Debt Facility is collateralized by the assets of the Company and includes financial covenants we must meet in order to avoid an Event of Default, as defined by the agreement. Such covenants include (i) maintaining a minimum of $57.0 million in unrestricted cash at all times and (ii) achieving certain revenue targets for the trailing four quarter period beginning with the fiscal quarter ended March 31, 2023. The Structural Debt Facility contains a subjective acceleration clause in the event that lenders determine that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the loan agreement, Structural has been provided with the Company’s periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. We believe the likelihood that lenders would exercise the subjective acceleration clause is remote. As of December 31, 2023, we were in compliance with the covenants under the Structural Debt Facility. Under the terms of the Structural Debt Facility, the Company may be obligated to issue common stock to third-party lenders and certain of their affiliates. For further details, refer to “Structural Derivative Liability” within the Critical Accounting Estimates.

Siena Revolver

In March 2023, we entered into the Siena Revolver with Siena Lending Group, LLC which permits us to receive funding through a revolving line of credit up to $35.0 million in aggregate principal amount. The borrowing capacity under the Siena Revolver, which is subject to certain conditions, including our inventory and accounts receivable balances and other limitations as specified in the agreement. Additional borrowing capacity from the Siena Revolver was $8.1 million based on qualifying inventory and accounts receivable balances as of December 31, 2023, with an outstanding principal balance of $7.5 million.

The interest rates applicable to borrowings under the Siena Revolver are based on a fluctuating rate of interest measured by reference to either, at our option, (i) a Base Rate, plus an applicable margin, or (ii) the Term SOFR rate then in effect, plus 0.10% and an applicable margin. The Base Rate is defined as the greatest of: (1) Prime Rate as published in the Wall Street Journal, (2) Federal Funds Rate plus 0.5% and (3) 5.0% per annum. The applicable margin for Siena Revolver borrowings is based on the Borrowers’ monthly average principal balance outstanding and ranges from 2.75% to 4.50% per annum in the case of Base Rate Borrowings and 3.75% to 5.50% per annum in the case of Term SOFR borrowings The Siena Revolver also contains various financial covenants we must maintain to avoid an Event of Default, as defined by the agreement, including a subjective acceleration clause in the event that Siena determines that a material adverse change has or will occur with the business. We believe the likelihood of Siena exercising the subjective acceleration clause is remote. The Siena Revolver matures at the earlier of March 10, 2026 or the maturity date of the Structural Debt Facility. As of December 31, 2023, we were in compliance with all covenants related to the Siena Revolver.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Year Ended December 31,		
	2023	2022	2021
		(in thousands)	
Net cash used in operating activities	$ (7,993)	$ (96,261)	$ (127,089)
Net cash used in investing activities	(2,985)	(4,222)	(5,768)
Net cash provided by financing activities	9,856	118,092	34,710
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (1,122)	$ 17,609	$ (98,147)

Operating Activities

Net cash used in operating activities decreased by $88.3 million for the year ended December 31, 2023, primarily attributable to a decrease in net loss, net of noncash activities, of $73.3 million. This decrease in net loss, net of non-cash activities, was primarily driven by a decrease in advertising expenses of $45.0 million and a decrease in selling, general and administrative expenses of $44.2 million, net of stock based compensation, and an increase of inflow related to changes in net operating assets and liabilities of $22.4 million primarily driven by a decrease in inventory. This was offset by decreases in accounts payable related to overall decreases in operating expenses and the timing of invoices from and payments to our vendors and suppliers.

Net cash used in operating activities decreased by $30.8 million for the year ended December 31, 2022 as compared to the year ended December 31, 2021, primarily attributable to an decrease in net loss, net of non-cash activities, of $22.6 million. The decrease in net loss, net of non-cash activities, was primarily driven by a $41.0 million decrease in advertising expenses. There was also a cash inflow related to changes in operating assets and liabilities of $8.3 million, from $15.9 million related to decreases in inventory and $6.4 million related to decreases in other assets and offset by decrease in $12.2 million decrease in accounts payable and accrued liabilities due to timing of invoices from and payments to our vendors and suppliers.

Investing Activities

Net cash used in investing activities of $3.0 million, $4.2 million and $5.8 million for the years ended December 31, 2023, 2022, and 2021, respectively was due to purchases of property and equipment and capitalized software.

Financing Activities

Net cash provided by financing activities of $9.9 million for the year ended December 31, 2023 primarily consisted of $10.0 million in proceeds from the issuance of the Preferred Stock and related warrants, $7.5 million in proceeds from the Siena Revolver offset by the payment of transaction costs related to the Business Combination and redeemable convertible preferred stock issuance costs of $4.6 million, net outflows related to the settlement of stock options and restricted stock units of $1.6 million and payment of debt issuance costs of $0.9 million.

Net cash provided by financing activities of $34.7 million for the year ended December 31, 2021 primarily consisted of proceeds from issuance of debt of $60.0 million and $1.2 million proceeds from the exercise of stock options and warrants, partially offset by repayment of debt of $21.9 million, payment of debt extinguishment of $2.5 million and $1.4 million in payments in connection with deferred offering and convertible preferred stock issuance costs.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that can have a significant impact on the amounts reported in those consolidated financial statements and accompanying notes. We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our consolidated financial statements and, therefore, we consider these to be our critical accounting policies. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions. Our significant accounting policies are described in Note 2 to our audited consolidated financial statements as of and for the years ended December 31, 2023, 2022 and 2021 included in this Annual Report on Form 10-K.

Public Warrants and Private Placement Warrants

Historically, we have relied on the public trading price of the Public Warrants to value the related Public Warrant and Private Placement Warrant Liabilities. On June 12, 2023, the Public Warrants were delisted by the New York Stock Exchange due to the low trading price. The Public Warrants that were previously traded on the NYSE under the symbol GROV.WS may be quoted and traded in the over-the-counter market. As there is no longer a publicly available trading price for the Public Warrants, we estimate the value of the Public Warrant and Private Placement Warrants using a Black-Scholes pricing model. The Black-Scholes option-pricing model utilizes inputs and assumptions which involve inherent uncertainties and generally require significant judgment. As a result, if factors or expected outcomes change and significantly different assumptions or estimates are used, our Public Warrant and Private Placement Warrant liabilities could be materially different. Significant inputs and assumptions include:

Fair value of Common Stock – The fair value of the shares of common stock underlying the warrants has been determined based on market prices

Expected Term – The Company's expected term represents the period that the Company's Public Warrant and Private Placement Warrant are expected to be outstanding and is determined to be the contractual term of such warrants

Expected Volatility – Because we were privately held prior to the Business Combination and there was no active trading market for our common stock, the expected volatility is estimated based on a weighted-average volatility of our publicly traded common stock and publicly traded companies that we consider to be comparable, over a period equal to the expected term of the warrants.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the Public Warrant and Private Placement Warrants.

Expected Dividend – We have never paid dividends on our common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

Earn-Out Share Liability

At the closing of the Business Combination, certain Legacy Grove shareholders were issued an aggregate of 2,799,696 shares of Grove Class B Common Stock ("Earn-Out Shares"). During the year ended December 31, 2023, certain shareholders surrendered an aggregate 197,284 Earn-Out Shares which, per terms of the Merger Agreement, were cancelled by the Company and not reallocated among the remaining holders. The remaining 2,602,412 shares are subject to vesting and forfeitures based upon certain triggering events that can occur during a period of ten years following the closing of the Business Combination (the "Earn-Out Period"). The triggering events that will result in the vesting of the Grove Earn-Out Shares during the Earn-Out Period are the following:

• 1,301,206 shares will vest if the share price of our Class A Common Stock is greater than or equal to $62.50 over any 20 trading days within any consecutive 30 trading day period during the Earn-Out Period;

• 1,301,206 shares will vest, including the shares subject to the $62.50 threshold if not previously vested, if the share price of our Class A Common Stock is greater than or equal to $75.00 over any 20 trading days within any 30 consecutive trading day period during the Earn-Out Period; and

• If, during the Earn-Out Period, there is a Change of Control Transaction (as defined in the Merger Agreement), then all remaining triggering events that have not previously occurred and the related vesting conditions shall be deemed to have occurred.

If, at any time prior to the expiration of the Earn-Out Period, any holder of Grove Earn-Out Shares forfeits all or any portion of such holder's Grove options and restricted stock units, all unvested Grove Earn-Out Shares issued to such holder with respect to any such awards shall be automatically forfeited to the Company and distributed to the other holders of Legacy Grove securities as of immediately prior to the closing of the Business Combination on a pro rata basis.

Earn-Out shares which are subject to a service condition are accounted for under ASC 718. See Note 3—Recapitalization and Note 4— Fair Value Measurements and Fair Value of Financial Instruments.

Earn-Out Shares which are not subject to service conditions were accounted for as liability classified instruments in accordance with ASC 815-40, as such shares were not solely indexed to the common stock of the Company and the events that determine the number of Earn-Out Shares required to vest include events that are not solely indexed to the fair value of common stock of the Company. Such Earn-Out Shares will be measured at fair value at each reporting date until they are settled or meet the criteria for equity classification, and changes in the fair value will be recorded in the consolidated statements of operations. The fair value of the Earn-Out Shares liability is estimated using a Monte Carlo options pricing model utilizing assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The expected volatility assumption is estimated using an average of the implied volatility of our publicly traded common stock and an implied volatility based on our peer companies estimated using the Monte Carlo simulation of the stock prices based on the implied market volatility.

We have historically been a private company with limited company-specific historical and implied volatility information. Accordingly, the volatility assumption used in the model is subjective and requires significant management judgment. Management estimated the expected volatility assumption based on the implied market volatility. Changes in this assumption, including the selection of or quantities of companies with the peer company set, could materially affect the estimate of the fair value of these instruments and the related change in fair value of these instruments that will be recorded in the Company's consolidated statements of operations.

Additional Shares Liability

On November 10, 2022, we entered into a subscription agreement (the "HGI Subscription Agreement") with HCI Grove LLC ("HGI"), pursuant to which, among other things, we agreed to issue and sell, on November 15, 2023, to HGI 396,825 shares of our Class A Common Stock for aggregate proceeds of $2.5 million. Under the terms of the HGI Subscription Agreement, the Company was required to file a registration statement for the Subscribed Shares upon the Company becoming eligible to file a registration statement on Form S-3 and in any event prior to July 15, 2023 (the "Subscribed Shares Registration Statement"). The Subscribed Shares Registration statement was filed on July 14, 2023 and the Additional Shares liability was settled on August 1, 2023 (refer to Note 7, Common Stock and Warrants found in Item 8 of this Form 10-K)

The HGI Subscription Agreement also provides that we would issue additional shares (the "HGI Additional Shares") of our Class A Common Stock to HGI in the event that the volume weighted average price of our Class A Common Stock was less than $6.30 during the three trading days commencing on the first trading day after (i) we file the Subscribed Shares Registration Statement (the "Registration Date"), (ii) the three-month anniversary of the Registration Date, (iii) the six-month anniversary of the Registration Date, or (iv) the nine-month anniversary of the Registration Date ("Measurement Periods" and each "Measurement Period") upon HGI's election to receive such additional shares, HGI had the option to use all or a portion of each Subscribed Share once to determine the amount of any issuance of Additional Shares in connection with the Measurement Periods such that HGI could utilize, for example, half of the Subscribed Shares to receive further Additional Shares, and leave the remaining half of the Subscribed Shares available to utilize in connection with the remaining Measurement Periods. HGI was required to elect to receive HGI Additional Shares for one Measurement Period, or the right lapsed or was superseded by the next measurement period.

The HGI Additional Shares were accounted for as a liability classified instruments under ASC 480 as the fair value of the obligation to issue the HGI Additional Shares varies inversely to the fair value of our common stock. The Additional Shares liability was measured at each reporting date until settled. Change in the fair value were recorded in the consolidated statements of operations. The Additional Shares Liability was settled as of December 31, 2023.

We have historically been a private company and have had limited company-specific historical and implied volatility information. Accordingly, the volatility assumption used in the model for the HGI Additional Shares is subjective and requires significant management judgment. Management estimated the expected volatility assumption using an average of the implied volatility of our publicly traded warrants (prior to their delisting by the NYSE) and an implied volatility based on a weighted-average of our publicly traded common stock and the publicly traded stock of our peer companies. Changes in this assumption, including the selection of or quantities of companies with the peer company set, could materially affect the estimate of the fair value of these instruments and the related change in fair value of these instruments that will be recorded in our consolidated statements of operations.

Structural Derivative Liability

On December 21, 2022, in connection with the closing of the Structural Debt Facility, we issued to the third-party lenders and certain of their affiliates a total of 990,000 shares of our Class A Common Stock (the “Structural Closing Shares”). We recorded a debt discount of $1.1 million related to the issuance of these shares, with a corresponding offset to our Class A Common Stock and additional paid-in capital. Further, if there are outstanding obligations relating to the Structural Debt Facility on July 21, 2025, representing the thirty-month anniversary of such closing, we have agreed to issue to the third-party lenders and certain of their affiliates the aggregate number of shares of our Class A Common Stock equal to $9,900,000, divided by the lower of (i) $10.00 and (ii) the volume weighted average price of our Class A Common Stock for the sixty trading days prior to such date as further described in the related issuance agreements of our Class A Common Stock ("Structural Subsequent Shares”). Pursuant to the related issuance agreements, we agreed to register the Structural Closing Shares and, if applicable, the Structural Subsequent Shares for resale under the Securities Act by filing with the Securities and Exchange Commission one or more registration statements. We have also agreed to give such third-party lenders and relevant affiliates customary “piggyback” registration rights.

We have identified several features within the Structural Debt Facility consisting of the contingent obligation to issue the Structural Subsequent Shares, mandatory and voluntary prepayment features and default interest rate (“Structural Derivative Liability”), which are within the scope of ASC 815 and are required to be bifurcated and accounted for as a compound embedded derivative at fair value.

The Structural Derivative Liability is a compound embedded derivative related to features within the Structural Facility, including an increase in interest rate upon an event of default and the contingent issuance of Structural Subsequent Shares as defined in Note 6, Debt in our financial statements, included elsewhere in this Annual Report on Form 10-K. This liability is classified as Level 3 and is valued using a risk-neutral income approach related to an event of default occurring and expected cash flows in such a scenario and an income and Black-Scholes pricing model for the contingent issuance of Structural Subsequent Shares utilizing assumptions related to expected stock price volatility, expected life, risk-free interest rate and dividend yield. The Company estimated the expected volatility assumption using a weighted-average of the implied volatility of its publicly traded common stock and an implied volatility based on its peer companies.

Inventories

Inventory is recorded at the lower of weighted average cost and net realizable value. The cost of inventory consists of merchandise costs and inbound freight, net of any vendor allowances. Inventory valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers or liquidations, and expected recoverable values of each disposition category. We record inventory reserves based on the excess of the carrying value or average cost over the amount we expect to realize from the ultimate sale of the inventory.

Stock-Based Compensation

We recognize the cost of share-based awards granted to employees and non-employees based on the estimated grant-date fair value of the awards.

For stock option awards with service only vesting conditions, we recognize expenses on a straight-line basis over the requisite service period, which is generally the vesting period of the award. We estimate the grant-date fair value of the stock option awards with service only vesting conditions using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model utilizes inputs and assumptions which involve inherent uncertainties and generally require significant judgment. As a result, if factors or expected outcomes change and significantly different assumptions or estimates are used, our stock-based compensation could be materially different. Significant inputs and assumptions include:

Fair value of Common Stock – The fair value of the shares of common stock underlying our stock options has been determined based on market prices

Expected Term – The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term)

Expected Volatility – Because we were privately held prior to the Business Combination and there was no active trading market for our common stock, the expected volatility is estimated based on the average volatility for publicly traded companies that we consider to be comparable, over a period equal to the expected term of the stock option grants.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend – We have never paid dividends on our common stock and have no plans to pay dividends on our common stock. Therefore, we used an expected dividend yield of zero.

For restricted stock unit ("RSU") awards with performance vesting conditions, we evaluate the probability of achieving the performance vesting condition at each reporting date. All RSUs issued by the Company prior to the Closing of the Business Combination contained a performance vesting condition, among other vesting conditions, that was satisfied at the Closing. As a result, we began to recognize expenses for RSUs with performance vesting conditions using an accelerated attribution method on June 16, 2022 when the performance condition was met. The fair value of RSU awards is determined using the price of our common stock on the grant date, as determined by our board of directors.

For awards with both market and service vesting conditions, we recognize expenses over the derived service period using an accelerated attribution method. The fair value of stock option awards with both market and performance conditions is estimated using multifactor Monte Carlo simulations. The Monte Carlo simulation model incorporates the probability of satisfying a market condition and utilizes inputs and assumptions which involve inherent uncertainties and generally require significant judgment, including our stock price, contractual terms, maturity and risk-free interest rates, as well as volatility.

Emerging Growth Company Status

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The JOBS Act permits companies with emerging growth company status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. Following the closing of the Business Combination, the Company uses this extended transition period to enable it to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date the Company (1) is no longer an emerging growth company or (2) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

Smaller Reporting Company Status

The Company is a "smaller reporting company" meaning that the market value of the Company's stock held by non-affiliates is less than $250 million. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements in the Company's Annual Report on Form 10-K, and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation. The Company will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of the Company's common stocks held by non-affiliates exceeds $250 million as of the end of that year's second fiscal quarter and the Company's annual revenue exceeds $100 million during such completed fiscal year, or (ii) the market value of the Company's common stock held by non-affiliates exceeds $700 million.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Grove Collaborative Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Grove Collaborative Holdings, Inc. (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, statements of convertible preferred stock, contingently redeemable convertible common stock, redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2018.

San Mateo, California
March 20, 2024

Grove Collaborative Holdings, Inc.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 86,411	$ 81,084
Restricted cash	5,650	11,950
Inventory, net	28,776	44,132
Prepaid expenses and other current assets	3,359	4,844
Total current assets	124,196	142,010
Restricted cash	2,802	2,951
Property and equipment, net	11,625	14,530
Operating lease right-of-use assets	9,612	12,362
Other long-term assets	2,507	2,192
Total assets	$ 150,742	$ 174,045
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 8,074	$ 10,712
Accrued expenses	16,020	31,354
Deferred revenue	7,154	10,878
Operating lease liabilities, current	3,489	3,705
Other current liabilities	306	249
Debt, current	—	575
Total current liabilities	35,043	57,473
Debt, noncurrent	71,662	60,620
Operating lease liabilities, noncurrent	14,404	16,192
Derivative liabilities	11,511	13,227
Total liabilities	132,620	147,512
Commitments and contingencies (Note 7)		
Redeemable convertible preferred stock, $0.0001 par value – 100,000,000 shares authorized at December 31, 2023 and December 31, 2022, respectively; 10,000 and no shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	10,000	—
Stockholders' equity:		
Common stock - Class A shares, $0.0001 par value – 600,000,000 shares authorized at December 31, 2023 and December 31, 2022; 32,183,695 and 25,123,332 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively; Class B shares, $0.0001 par value – 200,000,000 shares authorized at December 31, 2023 and December 31, 2022, respectively; 5,724,199 and 10,447,927 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	4	4
Additional paid-in capital	629,208	604,387
Accumulated deficit	(621,090)	(577,858)
Total stockholders' equity	8,122	26,533
Total liabilities, redeemable convertible preferred stock and stockholders' equity	$ 150,742	$ 174,045

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

Grove Collaborative Holdings, Inc.

Consolidated Statements of Operations

(In thousands, except share and per share amounts)

	Year ended December 31,		
	2023	**2022**	**2021**
Revenue, net	$ 259,278	$ 321,527	$ 383,685
Cost of goods sold	121,919	166,875	195,181
Gross profit	137,359	154,652	188,504
Operating expenses:			
Advertising	21,292	66,269	107,313
Product development	16,401	22,503	23,408
Selling, general and administrative	134,929	206,863	186,638
Operating loss	(35,263)	(140,983)	(128,855)
Non-operating expenses:			
Interest expense	16,077	9,685	5,202
Loss on extinguishment of debt	—	4,663	1,027
Changes in fair value of derivative liabilities	(216)	(71,532)	—
Other expense (income), net	(7,930)	3,862	760
Total non-operating expenses (income), net	7,931	(53,322)	6,989
Loss before provision for income taxes	(43,194)	(87,661)	(135,844)
Provision for income taxes	38	54	52
Net loss	$ (43,232)	$ (87,715)	$ (135,896)
Less: Accretion on redeemable convertible preferred stock	(957)	—	—
Less: Accumulated dividends on redeemable convertible preferred stock	(233)	—	—
Net loss attributable to common stockholders, basic and diluted	$ (44,422)	$ (87,715)	$ (135,896)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.28)	$ (4.85)	$ (79.28)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	34,797,582	18,101,407	1,714,230

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

Grove Collaborative Holdings, Inc.

Consolidated Statements of Convertible Preferred Stock, Contingently Redeemable Convertible Common Stock, and Stockholders' Equity (Deficit)
(In thousands)

	Convertible Preferred Stock [1]		Contingently Redeemable Convertible Common Stock [1]		Common Stock [1]		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at December 31, 2020	114,795	$ 487,918	—	$ —	8,468	$ —	$ 14,606	$ (354,247)	$ (339,641)
Recapitalization	(91,836)	—	—	—	(6,774)	—	—	—	—
Balances at December 31, 2020	22,959	487,918	—	—	1,694	—	14,606	(354,247)	(339,641)
Issuance of common stock for services	—	—	—	—	2	—	49	—	49
Issuance of common stock warrants	—	—	—	—	—	—	1,622	—	1,622
Issuance of common stock upon exercise of stock options	—	—	—	—	152	—	1,051	—	1,051
Issuance of common stock upon exercise of warrants	—	—	—	—	57	—	150	—	150
Vesting of early exercise of options	—	—	—	—	—	—	1,577	—	1,577
Repurchase of early exercised options	—	—	—	—	(31)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	14,809	—	14,809
Net loss	—	—	—	—	—	—	—	(135,896)	(135,896)
Balances at December 31, 2021	22,959	$ 487,918	—	$ —	1,874	$ —	$ 33,864	$ (490,143)	$ (456,279)
Issuance of preferred stock and common stock upon exercise of warrants	34	989	—	—	41	—	24	—	24
Issuance of convertible common stock	—	—	550	27,473	—	—	—	—	—
Conversion of preferred stock warrant liability to common stock warrants	—	—	—	—	—	—	2,182	—	2,182
Convertible preferred stock and contingently redeemable common stock conversion	(22,993)	(488,907)	(550)	(27,473)	23,640	2	516,378	—	516,380
Issuance of common stock in connection with Business Combination, net of $17.5 million in transaction costs	—	—	—	—	4,184	1	79,552	—	79,553

[1] The shares of the Company's common, convertible preferred stock and contingently redeemable convertible common stock prior to the Closing of the Business Combination (as defined in Note 1) have been retroactively restated to reflect the exchange ratio of approximately 1.1760 established in the Merger Agreement as described in Note 3.

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

Grove Collaborative Holdings, Inc.

Consolidated Statements of Convertible Preferred Stock, Contingently Redeemable Convertible Common Stock, and Stockholders' Equity (Deficit) - Continued
(in thousands)

	Convertible Preferred Stock [1]		Contingently Redeemable Convertible Common Stock [1]		Common Stock [1]		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Additional Shares liability, Earn-Out liability and Public and Private Placement Warrants recognized upon Business Combination	—	—	—	—	—	—	(93,196)	—	(93,196)
Issuance of Earn-Out Shares	—	—	—	—	2,800	—	1	—	1
Issuance of shares to settle Backstop Additional Shares Liability	—	—	—	—	655	—	16,310	—	16,310
Issuance of Class A common stock issued to employees, net of withholding taxes	—	—	—	—	6	—	(96)	—	(96)
Issuance of shares under ELOC Agreement, net of issuance costs	—	—	—	—	148	—	2,407	—	2,407
Issuance of common stock under HGI Subscription Agreement	—	—	—	—	397	—	2,500	—	2,500
Issuance of common stock related to Structural Debt Facility	—	—	—	—	990	1	1,072	—	1,073
Issuance of common stock upon exercise of stock options	—	—	—	—	66	—	381	—	381
Vesting of early exercised options	—	—	—	—	—	—	125	—	125
Repurchase of early exercise of options	—	—	—	—	(3)	—	—	—	—
Issuance of common stock upon settlement of restricted stock units, net of tax withholdings	—	—	—	—	773	—	(2,294)	—	(2,294)
Stock-based compensation	—	—	—	—	—	—	45,177	—	45,177
Net loss	—	—	—	—	—	—	—	(87,715)	(87,715)
Balances at December 31, 2022	—	$ —	—	$ —	35,571	$ 4	$ 604,387	$ (577,858)	$ 26,533

[1] The shares of the Company's common, convertible preferred stock and contingently redeemable convertible common stock prior to the Closing of the Business Combination (as defined in Note 1) have been retroactively restated to reflect the exchange ratio of approximately 1.1760 established in the Merger Agreement as described in Note 3.

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

Grove Collaborative Holdings, Inc.

Consolidated Statements of
Redeemable Convertible Preferred Stock and Stockholders' Equity (in thousands)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balances at December 31, 2022	—	$ —	35,571	$ 4	$ 604,387	$ (577,858)	$ 26,533
Issuance of Series A redeemable convertible preferred stock, net of issuance costs	10	9,044	—	—	—	—	—
Issuance of common stock warrants, net of issuance costs	—	—	—	—	644	—	644
Accretion on Series A redeemable convertible preferred stock	—	956	—	—	(956)	—	(956)
Issuance of shares to settle Additional Shares liability, net of issuance costs	—	—	714	—	1,407	—	1,407
Issuance of common stock upon exercise of stock options	—	—	38	—	71	—	71
Shares issued in connection with the Employee Stock Purchase Plan	—	—	263	—	482	—	482
Cancellation of Earn-Out Shares	—	—	(197)	—	—	—	—
Reduction in Transaction Costs	—	—	—	—	9,609	—	9,609
Short swing payment	—	—	—	—	11	—	11
Issuance of common stock upon settlement of restricted stock units, net of tax withholdings	—	—	1,519	—	(2,153)	—	(2,153)
Stock-based compensation	—	—	—	—	15,706	—	15,706
Net loss	—	—	—	—	—	(43,232)	(43,232)
Balances at December 31, 2023	10	$ 10,000	37,908	$ 4	$ 629,208	$ (621,090)	$ 8,122

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

Grove Collaborative Holdings, Inc.

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2023	**2022**	**2021**
Cash Flows from Operating Activities			
Net loss	$ (43,232)	$ (87,715)	$ (135,896)
Adjustments to reconcile net loss to net cash used in operating activities:			
Remeasurement of convertible preferred stock warrant liability	—	(1,616)	1,234
Stock-based compensation	15,513	45,660	14,610
Depreciation and amortization	5,824	5,716	4,992
Changes in fair value of derivative liabilities	(216)	(71,532)	—
(Reduction of transaction costs) deferred offering costs allocated to derivative liabilities upon Business Combination	(3,745)	6,873	—
Non-cash interest expense	3,833	586	704
Inventory reserve	372	7,036	4,725
Loss on extinguishment of debt	—	4,663	1,027
Asset impairment charges	2,495	5,300	—
Other non-cash expenses	135	274	1,274
Changes in operating assets and liabilities:			
Inventory	14,984	3,285	(12,598)
Prepaids and other assets	1,672	3,114	(3,294)
Accounts payable	(2,574)	(10,518)	(2,489)
Accrued expenses	2,216	(5,004)	(817)
Deferred revenue	(3,724)	(389)	148
Operating lease right-of-use assets and liabilities	(1,603)	(130)	65
Other liabilities	57	(1,864)	(774)
Net cash used in operating activities	(7,993)	(96,261)	(127,089)
Cash Flows from Investing Activities			
Purchase of property and equipment	(2,985)	(4,222)	(5,768)
Net cash used in investing activities	(2,985)	(4,222)	(5,768)
Cash Flows from Financing Activities			
Proceeds from issuance of common stock upon Closing of Business Combination	—	97,100	—
Proceeds from the issuance of common stock	—	4,924	—
Proceeds from issuance of redeemable convertible preferred stock, convertible common stock, and common stock warrants	10,000	27,500	—
Payment of transaction costs related to the Closing of the Business Combination, the ELOC Agreement and convertible preferred stock issuance costs	(4,555)	(6,558)	(1,396)
Proceeds from the issuance of debt	7,500	70,820	60,000
Payment of debt issuance costs	(925)	(2,463)	(375)
Repayment of debt	(575)	(5,180)	(21,932)
Payment of debt upon extinguishment	—	(66,034)	(2,499)
Net proceeds (payments) related to stock-based award activities	(1,589)	(2,017)	912
Net cash provided by financing activities	9,856	118,092	34,710
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,122)	17,609	(98,147)
Cash, cash equivalents and restricted cash at beginning of period	95,985	78,376	176,523
Cash, cash equivalents and restricted cash at end of period	$ 94,863	$ 95,985	$ 78,376

Grove Collaborative Holdings, Inc.

Consolidated Statements of Cash Flows - Continued

(In thousands)

Supplemental Disclosure						
Cash paid for taxes	$	43	$	67	$	52
Cash paid for interest		12,140		10,144		4,472
Supplemental Disclosure of Non-Cash Investing and Financing Activities						
Purchase of property and equipment in accounts payable and accrued liabilities	$	21	$	85	$	112
Debt issuance costs in accounts payable and accrued liabilities		—		46		—
Transaction costs and convertible preferred stock included in accounts payable and accrued liabilities		—		17,500		1,928
Assumption of derivative liabilities upon Business Combination		—		93,196		—
Initial measurement of Structural Derivative Liability recorded as debt fees		—		7,050		—
Initial measurement of common stock recorded as debt fees		—		1,072		—
Initial measurement of common stock warrants recorded as debt fees		—		—		1,622
Settlement of Additional Shares liability		1,500		16,310		—
Settlement of Earn-Out due to Cancellation of shares		347		—		—
Conversion of contingently redeemable convertible common stock and preferred stock to common stock		—		516,380		—
Reclassification of Grove's preferred stock warrant liability to equity		—		2,182		—
Net exercise of preferred stock warrants		—		989		—
Gain on settlement allocated to equity instruments		9,609		—		—
Vesting of early exercised stock options		—		125		1,577

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

Grove Collaborative Holdings, Inc.

Notes to Consolidated Financial Statements

1. Description of Business

Grove Collaborative Holdings, Inc., a public benefit corporation, (formerly known as Virgin Group Acquisition Corp. II) and its wholly owned subsidiaries (collectively, the “Company” or “Grove”) is a digital-first, sustainability-oriented consumer products innovator specializing in the development and sale of household, personal care, beauty and other consumer products with an environmental focus and headquartered in San Francisco, California. In the United States, the Company sells its products through two channels: a direct-to-consumer (“DTC”) platform at www.grove.co and the Company’s mobile applications, where the Company sells products from Grove-owned brands (“Grove Brands”) and third-parties, and the retail channel into which the Company sell products from Grove-owned brands at wholesale. The Company develops and sells natural products that are free from the harmful chemicals identified in the Company’s “anti-ingredient” list and designs form factors and product packaging that reduces plastic waste and improves the environmental impact of the categories in which the Company operates. The Company also purchases environmental offsets that have made it the first plastic neutral retailer in the world. Grove Collaborative, Inc. (herein referred to as “Legacy Grove”), the Company’s accounting predecessor, was incorporated in Delaware in 2016.

On June 16, 2022 (the “Closing Date”), the Company consummated the previously-announced transactions contemplated by the Agreement and Plan of Merger, dated December 7, 2021, amended and restated on March 31, 2022 (the “Merger Agreement”), among Virgin Group Acquisition Corp. II, a blank check company incorporated as a Cayman Islands exempt company in 2020 (“VGAC II”), Treehouse Merger Sub, Inc. (“VGAC II Merger Sub I”), Treehouse Merger Sub II, LLC (“VGAC II Merger Sub II”), and Legacy Grove (“the Merger”). In connection with the Merger, VGAC II changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware and changed its name to Grove Collaborative Holdings, Inc (the “Domestication”), a public benefit corporation. On the Closing Date, VGAC Merger Sub II merged with and into Legacy Grove with Legacy Grove being the surviving corporation and a wholly-owned subsidiary of the Company (the “Initial Merger”), and, immediately following the Initial Merger, and as part of the same overall transaction as the Initial Merger, Legacy Grove merged with and into VGAC Merger Sub II, the separate corporate existence of Legacy Grove ceased, and Merger Sub II continued as the surviving company and a wholly-owned subsidiary of the Company and changed its name to Grove Collaborative, Inc.(together with the Merger and the Domestication, the “Business Combination”).

The Business Combination is accounted for as a reverse recapitalization with Legacy Grove being the accounting acquirer and VGAC II as the acquired company for accounting purposes. Accordingly, all historical financial information presented in the audited consolidated financial statements represents the accounts of Legacy Grove. The shares and net loss per common share prior to the Closing have been retroactively restated as shares reflecting the exchange ratio established in the Closing.

Prior to the Business Combination, VGAC II’s public shares, and public warrants were listed on the New York Stock Exchange (“NYSE”) under the symbols “VGII” and “VGII.WS,” respectively. On June 17, 2022, the Company's Class A common stock and public warrants began trading on the NYSE, under the symbols “GROV” and “GROV.WS,” respectively. See Note 3, Recapitalization and Note 4, Fair Value Measurement for additional details.

Reverse Stock Split

On May 24, 2023, the Company’s board of directors and stockholders approved a five-for-one reverse split (the “Reverse Split”) of the Company’s issued and outstanding Class A and Class B common stock. Unless otherwise noted herein, the number of shares underlying stock options and other equity instruments was proportionately adjusted for the Reverse Split, including any exercise prices. The Class A common stock began trading on a split adjusted basis on the NYSE at the market open on June 6, 2023. No fractional shares were issued in connection with the reverse stock split. All issued and outstanding Class A and Class B common stock, options to purchase common stock, shares available or reserved for issuance, warrants and/or warrant shares, as applicable, and per share amounts contained in the consolidated financial statements have been retroactively adjusted to reflect the reverse stock split for all periods presented, unless otherwise stated herein.

2. Summary of Significant Accounting Policies

Basis of Presentation and Liquidity

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Company has historically incurred losses and negative cash flows from operations and had an accumulated deficit of $ 621.1 million as of December 31, 2023. The Company's existing sources of liquidity as of December 31, 2023 include cash and cash equivalents of $86.4 million. Prior to the Business Combination, the Company historically funded operations primarily with issuances of convertible preferred stock, contingently redeemable convertible common stock and the incurrence of debt. Upon the Closing of the Business Combination, the Company received $86.0 million in cash proceeds, net of transaction costs. The Company believes its existing cash, cash equivalents, together with its increased borrowing capacity through its recently entered into asset backed revolving line of credit (see Note 14, Subsequent Events), will be sufficient to fund its operations for a period of at least one year from the date the financial statements are issued. Over the longer-term, the Company will need to raise additional capital through debt or equity financing to fund future operations until it generates positive cash flows from operations. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to the Company, or at all.

Emerging Growth Company

The Company is an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. The JOBS Act permits companies with emerging growth company status to take advantage of an extended transition period to comply with new or revised accounting standards, delaying the adoption of these accounting standards until they would apply to private companies. Following the closing of the Business Combination, the Company uses this extended transition period to enable it to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date the Company (1) is no longer an emerging growth company or (2) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's consolidated financial statements may not be comparable to companies that comply with the new or revised accounting standards as of public company effective dates.

Comprehensive Loss

Comprehensive loss represents all changes in stockholders' deficit. The Company's net loss was equal to its comprehensive loss for all periods presented.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. These estimates made by management include the determination of reserves amounts for the Company's inventories on hand, useful life of intangible assets, sales returns and allowances and certain assumptions used in the valuation of equity awards, the estimated fair value of common stock liability classified Public and Private Placement Warrants, the fair value of Earn-Out liabilities, the fair value of Additional Shares liabilities, the fair value of the Structural Derivative Liability and stock based compensation expense. Actual results could differ from those estimates, and such estimates could be material to the Company's financial position and the results of operations.

Segments

The Company's chief operating decision maker, who is its Chief Executive Officer, manages the Company's operations as a single segment for the purposes of assessing performance and making operating decisions. All long-lived assets are located in the United States and all revenue is attributed customers based in the United States. For the years ended December 31, 2023, 2022, and 2021 no individual customers represented more than 10% of total revenue.

Net Loss Per Share Attributable to Common Stockholders

Net loss per share attributable to common stockholders is computed using the two-class method required for multiple classes of common stock and participating securities. The rights, including the liquidation and dividend rights and sharing of losses, of the Company's Class A common stock and Class B common stock are identical, other than voting rights. As the liquidation and dividend rights and sharing of losses are identical, the undistributed earnings are allocated on a proportionate basis and the resulting net loss per share will, therefore, be the same for both the Company's Class A and Class B common stock on an individual or combined basis.

The Company's participating securities included the Company's redeemable convertible preferred stock, as the holders are entitled to receive cumulative dividends in the event that a dividend is paid on common stock. The Company also considers any shares issued on the early exercise of stock options subject to repurchase to be participating securities because holders of such shares have non-forfeitable dividend rights in the event a dividend is paid on common stock. The holders of redeemable convertible preferred stock, the holders of early exercised shares subject to repurchase nor the holders of the Company's common stock warrants have a contractual obligation to share in losses.

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss, as adjusted for any accumulated dividends on Series A Redeemable Convertible Preferred Stock (Note 9, Redeemable Convertible Preferred Stock) for the period, attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for outstanding shares that are subject to repurchase or outstanding shares that are contingently returnable by the holder. Contingently issuable shares, including shares that are issuable for little or no cash consideration, are considered outstanding common shares and included in net loss per share as of the date that all necessary conditions have been satisfied. Such shares include the Backstop Warrants (Note 10, Common Stock and Warrants) and Volition Penny Warrants (Note 9 - Redeemable Convertible Preferred Stock).

Diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. For periods in which the Company reports net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Cash, Cash Equivalents and Restricted Cash

Cash consists primarily of demand deposit bank accounts including amounts in transit from banks for customer credit card transactions. The Company considers all highly liquid investments with an original maturity from date of purchase of three months or less, or that are readily convertible into known amounts of cash, to be cash equivalents. As of December 31, 2023 and 2022, cash equivalents are comprised of money market funds.

As of December 31, 2023, the Company held short-term restricted cash of $ 5.7 million which primarily represents cash on deposit with a financial institution to collateralize short-term obligations related to company credit cards. Long-term restricted cash of $2.8 million primarily represents cash on deposit with a financial institution to collateralize letters of credit related to the Company's non-cancellable operating leases for its corporate headquarters. Restricted cash is stated at cost, which approximates fair value.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows (in thousands):

	Year Ended December 31,	
	2023	2022
Cash and cash equivalents	$ 86,411	$ 81,084
Restricted cash	8,452	14,901
Total cash, cash equivalents and restricted cash	$ 94,863	$ 95,985

Concentration of Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains the majority of its cash and cash equivalents in accounts with one financial institution within the United States, generally in the form of demand accounts. Deposits in this institution may exceed federally insured limits. Management believes minimal credit risk exists with respect to this financial institution and the Company has not experienced any losses on such amounts.

The Company depends on a limited number of vendors to supply products sold by the Company. The Company's top five suppliers combined represented approximately 40%, 50% and 50% of the Company's total inventory purchases for the year ended December 31, 2023, 2022, and 2021, respectively.

Inventory

Inventory is recorded at the lower of weighted average cost and net realizable value. The cost of inventory consists of merchandise costs, net of vendor allowances, and inbound freight. Inventory valuation requires the Company to make judgments, based on currently available information, about the likely method of disposition, such as through sales to individual customers or liquidations, and expected recoverable values of each disposition category.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives of the Company's assets are as follows:

Computer equipment	3 - 5 years
Furniture and fixtures	5 years
Machinery and warehouse equipment	7 - 10 years
Leasehold improvements	Shorter of 10 years or lease term

Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the balance sheet and any resulting gain or loss is reflected in the statement of operations in the period realized.

Capitalized Software Development Costs

The Company capitalizes qualifying internally developed software costs that are incurred during the application development stage. Costs related to preliminary project activities and post-implementation activities are expensed as incurred. Once an application has reached the development stage, management has authorized and committed to the funding of the software project, it is probable the project will be completed and the software will be used to perform the function intended, internal and external costs, if direct and incremental, are capitalized until the application is substantially complete and ready for its intended use. Capitalized software development costs are amortized on a straight-line basis to product development expense over the estimated useful life, which is four years.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets, inclusive of its right-of-use assets, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated from the use of the asset and its eventual disposition. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the impaired assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell.

Leases

The Company determines if an arrangement is or contains a lease at inception. An arrangement is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If a lease is identified, classification is determined at lease commencement. Operating lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. As the implicit rate in the Company's lease is generally unknown, the Company estimates its incremental borrowing rate to discount lease payments. The incremental borrowing rate reflects the interest rate that the Company would have to pay to borrow on a collateralized basis an amount equal to the lease payments in a similar economic environment over a similar term. Operating lease right-of-use ("ROU") assets are based on the corresponding lease liability adjusted for any lease payments made at or before commencement, initial direct costs, and lease incentives. Certain leases also include options to renew or terminate the lease at the election of the Company. The Company evaluates these options at lease inception and on an ongoing basis. Renewal and termination options that the Company is reasonably certain to exercise are included when classifying leases and measuring lease liabilities. Operating lease expense is recognized on a straight-line basis over the lease term. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component. Lease payments for short-term leases with a term of twelve months or less are expensed on a straight-line basis over the lease term. The Company elected to not record operating lease right-of-use assets or operating lease liabilities for leases with an initial term of twelve months or less. Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current, and operating lease liabilities, non-current on the Company's balance sheet.

Additional Shares Liabilities

The Company initially recorded a liability related to the Backstop Additional Shares, defined in Note 3, Recapitalization, and HGI Additional Shares, defined in Note 10, Common Stock and Warrants (collectively, "Additional Shares"). The Company accounted for these instruments at fair value within derivative liabilities on its consolidated balance sheet with changes in fair value until settlement being recorded in its consolidated statement of operations. The Additional Shares were settled as of December 31, 2023.

Earn-Out Liabilities

The Company has recorded a liability related to the Earn-Out Shares, defined in Note 10, Common Stock and Warrants. The Company accounts for this instrument at fair value within derivative liabilities on its consolidated balance sheet with changes in fair value until settlement being recorded in its consolidated statement of operations.

Warrant Liabilities

The Company classifies Private Placement Warrants and Public Warrants (both defined and discussed in Note 10, Common Stock and Warrants) as liabilities within derivative liabilities on its consolidated balance sheet. At the end of each reporting period, changes in fair value during the period are recognized within the consolidated statements of operations. The Company will continue to adjust the warrant liability for changes in the fair value until the earlier of a) the exercise or expiration of the warrants or b) the redemption of the warrants, at which time the warrants will be reclassified to additional paid-in capital.

Structural Derivative Liability

The Structural Derivative Liability is a compound embedded derivative related to features within the Structural Facility, defined in Note 6, Debt. The Company accounts for this instrument at fair value within derivative liabilities on its consolidated balance sheet with changes in fair value until settlement being recorded in its consolidated statement of operations.

Revenue Recognition

The Company primarily generates revenue from the sale of both third-party and Grove Brands products through its DTC platform. Customers purchase products through the website or mobile application through a combination of directly selecting items from the catalog, items that are suggested by the Company's recurring shipment recommendation engine, and features that appear in marketing on-site, in emails and on the Company's mobile application. Most customers purchase a combination of products recommended by the Company based on previous purchases and new products discovered through marketing or catalog browsing. Customers can have orders auto-shipped to them on a specified date or shipped immediately through an option available on the website and mobile application. In order to reduce the environmental impact of each shipment, the Company has a minimum total sales order value threshold policy which is required to be met before the order qualifies for shipment. Payment is collected upon finalizing the order. The products are subsequently packaged and shipped to fill the order. Customers can customize future purchases by selecting products they want to receive on a specified cadence or by selecting products for immediate shipment.

The Company also offers a VIP membership to its customers for an annual fee which includes the rights to free shipping, free gifts and early access to exclusive sales, all of which are available at the customers' option, should they elect to make future purchases of the Company's products within their annual VIP membership benefit period. Many customers receive a free 60-day VIP membership for trial purposes, typically upon their first qualifying order. After the expiration of this free trial VIP membership period, customers will be charged their annual VIP membership fee, which automatically renews annually, until cancelled. The customer is alerted before any VIP membership renews.

In accordance with Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"), the Company recognizes revenue when the customer obtains control of promised goods, in an amount that reflects the consideration that it expects to receive in exchange for those goods. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration, if any, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration to which it is entitled in exchange for the goods it transfers to a customer.

A contract with a customer exists when the customer submits an order online for the Company's products. Under this arrangement, there is one performance obligation which is the obligation for the Company to fulfill the order. Product revenue is recognized when control of the goods is transferred to the customer, which occurs upon the Company's delivery to a third-party carrier.

The VIP membership provides customers with a suite of benefits that are only accessible to them at their option, upon making a future qualifying order of the Company's products. The VIP membership includes free shipping, a select number of free products, and early access to exclusive sales. Under ASC 606, sales arrangements that include rights to additional goods or services that are exercisable at a customer's discretion are generally considered options; therefore the Company must assess whether these options provide a material right to the customer and if so, they are considered a performance obligation. The Company concluded that its VIP membership benefits include two material rights, one related to the future discount (i.e. free shipping) on the price of the customer's qualifying order(s) over the membership period and the second one relating to a certain number of free products provided at pre-set intervals within the VIP membership benefit period, that will only ship with a customer's next qualifying order (i.e. bundled).

At inception of the VIP membership benefit period, the Company allocates the VIP membership fee to each of the two material rights using a relative standalone selling price basis. Generally, standalone selling prices are determined based on the observable price of the good or service when sold separately to non-VIP customers and the estimated number of shipments and free products per benefit period. The Company also considers the likelihood of redemption when determining the standalone selling price for free products and then recognize these allocated amounts upon the shipment of a qualifying customer order. To date, customers buying patterns closely approximate a ratable revenue attribution method over the customers VIP Membership period.

The Company deducts discounts, sales tax, customer service credits and estimated refunds to arrive at net revenue. Sales tax collected from customers is not considered revenue and is included in accrued liabilities until remitted to the taxing authorities. The Company has made the policy election to account for shipping and handling as activities to fulfill the promise to transfer the good. Outbound shipping, handling and packaging expenses are recognized upon shipment and classified within selling, general and administrative expenses. Discounts are recorded as a reduction to revenue when revenue is recognized. The Company records a refund reserve based on historical refund patterns. As of December 31, 2023 and 2022, the refund reserve, which is included in accrued liabilities in the balance sheets was $0.1 million.

Disaggregation of Revenue

The following table sets forth revenue by product type (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Revenue, net:			
Grove Brands	$ 119,006	$ 154,854	$ 187,055
Third-party products	140,272	166,673	196,630
Total revenue, net	$ 259,278	$ 321,527	$ 383,685

Contractual Liabilities

The Company has three types of contractual liabilities from transactions with customers: (i) cash collections for products which have not yet shipped, which are included in deferred revenue and are recognized as revenue upon the Company's delivery to a third-party carrier, (ii) cash collections of VIP membership fees, which are included in deferred revenue and (iii) customer service credits, which are included in other current liabilities and are recognized as a reduction in revenue when provided to the customer. Contractual liabilities included in deferred revenue and other current liabilities were $7.2 million and $0.1 million, respectively, as of December 31, 2023 and $10.9 million and $0.2 million, respectively, as of December 31, 2022. The contractual liabilities included in deferred revenue are generally recognized as revenue within twelve months from the end of each reporting period.

Cost of Goods Sold

Cost of goods sold consists of the product costs of merchandise, inbound freight costs, vendor allowances, costs associated with inventory shrinkage, damages and inventory write-offs and changes to the Company's inventory reserves.

Vendor Allowances

The Company receives discounts and other product related reimbursements from certain vendors through a variety of programs intended to offset the purchase prices of inventory and for the promotion and selling of that vendor's inventory. Discounts and other reimbursements are recorded as a reduction in the cost of the associated inventory purchased.

Advertising Expenses

Advertising expenses, other than production costs, are expensed as incurred and consist primarily of the customer acquisition costs associated with online advertising, as well as advertising on television, direct mail campaigns and other media. Costs associated with the production of advertising are expensed when the first advertisement is shown.

Product Development Expenses

Product development expenses relate to costs related to the ongoing support and maintenance of the Company's proprietary technology, including the Company's website and mobile device application, as well as amortization of capitalized internally developed software, and relate to the product packaging innovation in the Company's Grove Brands products. Product development expenses consist primarily of personnel-related expenses, including salaries, bonuses, benefits and stock-based compensation expense. Product development costs also include allocated facilities, equipment, depreciation and overhead costs.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of compensation and benefit costs for personnel involved in general corporate functions, including stock-based compensation expense, and certain fulfillment costs, as further outlined below. Selling, general and administrative expenses also include the allocated facilities, equipment, depreciation and overhead costs, marketing costs including qualified cost of credits issued through the Company's referral program, costs associated with the Company's customer service operation and costs of environmental offsets.

Fulfillment Costs

Fulfillment costs represent those costs incurred in operating and staffing the Company's fulfillment centers, including costs attributable to receiving, inspecting and warehousing inventories, picking, packaging and preparing customer orders for shipment ("Fulfillment Labor"), outbound shipping and handling expenses, packaging materials costs and payment processing and related transaction costs. These costs are included within selling, general and administrative expenses in the statements of operations. For the years ended December 31, 2023, 2022 and 2021, the Company recorded fulfillment costs of $58.8 million, $82.2 million, and $95.5 million, respectively, which included $35.6 million, $50.2 million and $56.1 million in shipping and handling expenses, respectively, and $13.5 million, $19.7 million and $24.5 million in Fulfillment Labor, respectively. The Company's gross profit may not be comparable to other retailers or distributors.

Income Taxes

The Company accounts for income taxes under the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the consolidated financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company recognizes the benefits of tax-return positions in the consolidated financial statements when they are more likely than not to be sustained by the taxing authority, based on the technical merits at the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. The Company recognizes interest and penalties related to unrecognized tax benefits, if any, as income tax expense.

Stock-Based Compensation

The Company's stock-based compensation relates to stock options, restricted stock units ("RSU") and stock purchase rights under an Employee Stock Purchase Plan ("ESPP"). The Company recognizes the cost of share-based awards granted to employees and non-employees based on the estimated grant-date fair value of the awards.

For stock option awards with service-only vesting conditions, expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the award. The Company estimates the grant-date fair value of the stock option awards with service only vesting conditions using the Black-Scholes option-pricing model.

The Black-Scholes option-pricing model utilizes inputs and assumptions which involve inherent uncertainties and generally require significant judgment. As a result, if factors or expected outcomes change and significantly different assumptions or estimates are used, the Company's stock-based compensation could be materially different. Significant inputs and assumptions include:

Fair value of Common Stock – As there has been no public market for the Company's common stock prior to the Business Combination, the fair value of the shares of common stock underlying the stock-based awards on the grant-date has historically been determined by the Company's Board of Directors with assistance of third-party valuation specialists. The Board of Directors exercises reasonable judgment and considers a number of objective and subjective factors to determine the best estimate of the fair market value, which include important developments in the Company's operations, the prices at which the Company sold shares of its convertible preferred stock, the rights, preferences and privileges of the Company's convertible preferred stock relative to those of the Company's common stock, actual operating results, financial performance, external market conditions, equity market conditions of comparable public companies, and the lack of marketability of the Company's common stock.

Expected Term – The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding and is determined using the simplified method (based on the mid-point between the vesting date and the end of the contractual term).

Expected Volatility – Because the Company was privately held prior to the Business Combination and did not have an active trading market for its common stock, the expected volatility was estimated based on the average volatility for publicly traded companies that the Company considers to be comparable, over a period equal to the expected term of the stock option grants.

Risk-Free Interest Rate – The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend – The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

For RSU awards with performance vesting conditions, the Company evaluates the probability of achieving the performance vesting condition at each reporting date. The Company begins to recognize expense for RSUs with performance vesting conditions using an accelerated attribution method when it is deemed probable that the performance condition will be met. For RSUs with service-only vesting conditions, expense is recognized on a straight-line basis over the requisite service period, which is generally the vesting period of the award. The fair value of RSU awards is determined using the price of the Company's common stock on the grant date, as determined by the Company's board of directors.

For awards with both market and service vesting conditions, expense is recognized over the derived service period using an accelerated attribution method starting from when it is deemed probable that the performance condition will be met. The fair value of stock option awards with both market and service conditions is estimated using multifactor Monte Carlo simulations. The Monte Carlo simulation model incorporates the probability of satisfying a market condition and utilizes inputs and assumptions which involve inherent uncertainties and generally require significant judgment, including the Company's stock price, contractual terms, maturity and risk-free interest rates, as well as volatility.

The fair value of each purchase under the ESPP is estimated at the beginning of the offering period using the Black-Scholes option pricing model and recorded as expense over the service period using the straight-line method.

The Company accounts for forfeitures as they occur.

Recently Issued Accounting Standards

In October 2023, Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-06, Disclosure Improvements ("ASU2023-06"), to clarify or improve disclosure and presentation requirements of a variety of topics and align the requirements in the FASB accounting standard codification ("ASC") with the SEC's regulations. The amendments in ASU 2023-06 will become effective on the date the related disclosures are removed from Regulation S-X or Regulation S-K by the SEC, and will no longer be effective if the SEC has not removed the applicable disclosure requirement by June 30, 2027. Early adoption is prohibited. The Company is currently evaluating the impact of ASU 2023-06 on its consolidated financial statements and disclosures.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 enhances public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. Disclosure requirements under ASU 2023-07 are required for all public entities, including those with a single reportable segment. ASU 2023-07 takes effect for fiscal years starting after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt ASU 2023-07 and is currently evaluating its impact on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (“ASU 2023-09”), which will require incremental income tax disclosures on an annual basis for all public entities. The amendments require that public business entities disclose specific categories in the rate reconciliation and provide additional information for reconciling items meeting a quantitative threshold. The amendments also require disclosure of income taxes paid to be disaggregated by jurisdiction, and the disclosure of income tax expense disaggregated by federal, state, and foreign. ASU 2023-09 is effective for annual reporting beginning with the fiscal years starting after December 15, 2024. Early adoption is permitted. The Company does not expect to early adopt ASU 2023-09 and is currently evaluating the impact ASU 2023-09 will have on its consolidated financial statements and disclosures.

3. Recapitalization

As discussed in Note 1, Description of Business, on the Closing Date, VGAC II completed the acquisition of Legacy Grove and acquired 100% of Legacy Grove’s shares and Legacy Grove received gross proceeds of $97.1 million, which includes proceeds from issuance of common stock upon the consummation of the Business Combination, including the Backstop Tranche 2 shares, and proceeds from the PIPE investment (as defined below). The Company recorded $24.4 million of transaction costs, which consisted of legal, accounting, and other professional services directly related to the Business Combination. Transaction costs were allocated on a relative fair value basis between the issuance of common stock, Public and Private Placement Warrants, Grove Earn-Out Shares, Backstop Additional Shares and Backstop Warrants (as defined below). Direct and incremental transaction costs allocated to equity-classified instruments have been recorded within equity as an offset against proceeds upon accounting for the consummation of the Business Combination in the consolidated financial statements. Direct and incremental transaction costs allocated to liability-classified equity instruments were expensed in the consolidated financial statements and included in other expense, net in the consolidated statements of operations. The cash outflows related to these costs were presented as financing activities on the Company’s consolidated statement of cash flows. On the Closing Date, each holder of Legacy Grove common stock received approximately 1.1760 shares of the Company’s Class B common stock, par value $0.0001 per share. See Note 9, Convertible Preferred Stock and Note 10, Common Stock and Warrants for additional details of the Company's equity balances prior to and subsequent to the Business Combination.

All equity awards of Legacy Grove were assumed by the Company and converted into comparable equity awards that are settled or exercisable for shares of the Company’s Class B common stock. As a result, each outstanding stock option was converted into an option exercisable for the Company’s Class B common stock based on an exchange ratio of approximately 1.1760, each outstanding restricted stock unit was converted into restricted stock units of the Company that, upon vesting and issued, will be settled for shares of the Company’s Class B common stock based on an exchange ratio of approximately 1.1760 and each outstanding warrant to purchase Legacy Grove common stock or preferred stock was converted into a warrant to purchase shares of the Company’s Class B common stock based on an exchange ratio of approximately 1.1760.

Each public and private warrant of VGAC II that was unexercised at the time of the business combination was assumed by the Company and five warrants bundled together represent the right to purchase one share of the Company’s Class A common stock upon exercise of such warrant. For further details on these warrants see Note 10, Common Stock and Warrants.

The Business Combination was accounted for as a reverse recapitalization with Legacy Grove as the accounting acquirer and VGAC II as the acquired company for accounting purposes. Legacy Grove was determined to be the accounting acquirer since Legacy Grove’s shareholders prior to the business combination had the greatest voting interest in the combined entity, Legacy Grove's shareholders appointed the initial directors of the combined Board of Directors and control future appointments, Legacy Grove comprises all of the ongoing operations, and Legacy Grove's senior management directs operations of the combined entity. Accordingly, all historical financial information presented in these consolidated financial statements represents the accounts of Legacy Grove. Net assets were stated at historical cost consistent with the treatment of the transaction as a reverse recapitalization of Legacy Grove.

PIPE Investment

On December 7, 2021, concurrently with the execution of the Merger Agreement, VGAC II entered into subscription agreements with certain investors (the “PIPE Investors”) to which such investors collectively subscribed for an aggregate of 1,741,500 shares of the Company's Class A common stock for aggregate gross proceeds of $ 87,075,000 (the "PIPE Investment"). 1,721,500 shares of the Company's Class A common stock have been issued for aggregate proceeds of $ 86,075,000, which consummated concurrently with the closing to the Business Combination.

Backstop Financing

On March 31, 2022, VGAC II entered into a subscription agreement (the "Backstop Subscription Agreement") with Corvina Holdings Limited (the "Backstop Investor") and Legacy Grove. As part of the Backstop Subscription Agreement, the Backstop Investor subscribed for and purchased 467,670 shares of Legacy Grove Common Stock (the "Backstop Tranche 1 Shares") for aggregate proceeds of $ 27,500,000. The Company initially classified the Backstop Tranche 1 Shares as mezzanine (or temporary) equity on its balance sheet because the Backstop Tranche 1 Shares were contingently redeemable upon the occurrence of certain events not solely within the control of the Company that allow for the effective redemption of such shares in cash at the option of the holder. Upon Closing of the Business Combination, the Backstop Tranche 1 Shares were converted into 550,000 shares of the Company's Class A common stock and the Tranche 1 Shares were no longer contingently redeemable. The Company has classified these shares in permanent equity on its balance sheet at December 31, 2023.

In addition, the Backstop Investor agreed to subscribe for and purchase, on the closing date of the Business Combination, certain shares of the Company's Class A common stock at a purchase price of $ 50.00 per share ("Backstop Tranche 2 Shares") for aggregate gross proceeds in an amount equal to (x) $22.5 million minus (y) the amount of aggregate cash remaining in VGAC II's trust account, after deducting any amounts paid to VGAC II shareholders who exercise their redemption rights in connection with the Business Combination. The Company issued to the Backstop Investor, as of immediately following the closing of the Business Combination, 334,304 Backstop Tranche 2 Shares for aggregate proceeds of $16,715,240.

The Backstop Subscription Agreement also provided that the Company would issue additional shares of the Company's Class A common stock to the Backstop Investor for Backstop Tranche 1 Shares and Backstop Tranche 2 Shares if the volume weighted average price of the Company's Class A common stock was less than $ 50.00 during the 10 trading days commencing on the first trading date after the Company's first quarterly earnings call for the fiscal quarter ended June 30, 2022 ("Backstop Additional Shares"). In August 2022, the Company settled this obligation by issuing 655,036 shares of Class A common stock to the Backstop Investor.

As part of the Backstop Subscription Agreement, the Company issued to the Backstop Investor certain warrants to purchase the Company's Class A common stock (such warrants, the "Backstop Warrants"). Refer to Note 10, Common Stock and Warrants.

4. Fair Value Measurements and Fair Value of Financial Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis. The Company determines fair value based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. These levels are:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Financial instruments consist of cash equivalents, accounts payable, accrued liabilities, debt and convertible preferred stock warrant liability, Additional Shares, Earn-Out Shares and Public and Private Placement Warrants. Cash equivalents, convertible preferred stock warrant liability, Earn-Out Shares and Public and Private Placement Warrant are stated at fair value on a recurring basis. Accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short period time to the expected receipt or payment. The carrying amount of the Company's outstanding debt approximates the fair value as the debt bears interest at a rate that approximates prevailing market rate.

The Public Warrants were historically classified as Level 1 due to the use of an observable market quote in an active market. Private Placement Warrants were historically classified as Level 2 as the fair value approximated the fair value of the Public Warrants. The Private Placement Warrants are identical to the Public Warrants, with certain exceptions as defined in Note 10, Common Stock and Warrants. Five Public Warrants or Private Placement Warrants must be bundled together to receive one share of the Company's Class A common stock. During the year ended December 31, 2023, the entire balance of the Public Warrants and Private Placement Warrants was transferred out of Level 1 and Level 2, respectively, into Level 3 due to the warrants being delisted by the NYSE in response to the low trading price of the warrants.

The value of the Public Warrants and Private Placement Warrants was determined by using a Black-Scholes Model with the following assumptions:

	Year Ended December 31,	
	2023	**2022**
Fair value of common stock	$0.35	—
Exercise Price	$11.50	—
Expected term (in years)	3.54	—
Risk-free interest rate	3.93%	—
Volatility	71.77%	—
Dividend yield	—	—

The Earn-Out Shares are classified as Level 3 and their fair values were estimated using a Monte Carlo options pricing model utilizing assumptions related to expected stock-price volatility, expected life, risk-free interest rate and dividend yield. The Company estimated the expected volatility assumption using an average of the implied volatility of its common stock and an implied volatility based on its peer companies.

The Structural Derivative Liability is a compound embedded derivative related to features within the Structural Debt Facility, including an increase in interest rate upon an event of default and the contingent issuance of the Structural Subsequent Shares as defined in Note 6, Debt. This liability is classified as Level 3 and is valued using a risk-neutral income approach related to an event of default occurring and expected cash flows in such a scenario and an income and Black-Scholes pricing model for the contingent issuance of the Structural Subsequent Shares utilizing assumptions related to expected stock price volatility, expected life, risk-free interest rate and dividend yield. The Company estimated the expected volatility assumption using an weighted-average of the implied volatility of its publicly traded common stock and an implied volatility based on its peer companies.

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis as of December 31, 2023 and December 31, 2022 by level within the fair value hierarchy (in thousands):

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 83,431	$ —	$ —	$ 83,431
Total	$ 83,431	$ —	$ —	$ 83,431
Financial Liabilities:				
Earn-Out Shares	$ —	$ —	$ 2,973	$ 2,973
Private Placement Warrants	—	—	37	37
Public Warrants	—	—	31	31
Structural Derivative Liability	—	—	8,470	8,470
Total	$ —	$ —	$ 11,511	$ 11,511

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash equivalents:				
Money market funds	$ 74,990	$ —	$ —	$ 74,990
Total	$ 74,990	$ —	$ —	$ 74,990
Financial Liabilities:				
Additional Shares	$ —	$ —	$ 580	$ 580
Earn-Out Shares	—	—	4,122	4,122
Private Placement Warrants	—	670	—	670
Public Warrants	805	—	—	805
Structural Derivative Liability	—	—	7,050	7,050
Total	$ 805	$ 670	$ 11,752	$ 13,227

Additional Shares Liability

At the closing of the HGI Subscription Agreement discussed in Note 10, Common Stock and Warrants, the Company recorded a liability related to the potential issuance of Additional Shares. Subsequent changes in fair value of the Additional Shares liability until settlement were recognized in the consolidated statements of operations. The Additional Shares Liability was settled as of December 31, 2023 (refer to Note 10, Common Stock and Warrants).

Earn-Out Shares

At Closing of the Business Combination, certain Earn-Out Shares were accounted for as a liability. Subsequent changes in fair value, until settlement or until equity classification is met, is recognized in the statements of operations.

Private Placement and Public Warrant Liabilities

As of December 31, 2023, the Company has Private Placement and Public Warrants defined and discussed in Note 10, Common Stock and Warrants. Such warrants are measured at fair value on a recurring basis. Subsequent changes in fair value, until settlement, is recognized in the statement of operations.

Structural Derivative Liability

Upon closing the Structural Debt Facility, the Company recorded a liability related to the features that are required to be bifurcated and accounted for as a compound derivative at fair value. Subsequent changes in fair value of the Structural Derivative Liability until settlement is recognized in the statement of operations.

The following table provides a summary of changes in the estimated fair value of these liabilities (in thousands):

	Additional Shares Liability	Earn-Out Shares	Public Warrants	Private Placement Warrants	Structural Derivative Liability	Total
Balances at December 31, 2022	$ 580	$ 4,122	$ 805	$ 670	$ 7,050	$ 13,227
Cancellation	—	(347)		—	—	(347)
Changes in fair value	920	(802)	(768)	(639)	1,420	131
Settlement	(1,500)	—	—	—	—	(1,500)
Balances at December 31, 2023	$ —	$ 2,973	$ 37	$ 31	$ 8,470	$ 11,511

5. Other Balance Sheet Information

Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2023	2022
Machinery and warehouse equipment	$ 6,753	$ 6,799
Internally developed software	15,772	15,199
Computer equipment	2,531	2,805
Leasehold improvements	2,134	2,018
Furniture and fixtures	1,049	1,028
Total property and equipment	28,239	27,849
Less: accumulated depreciation	(16,614)	(13,319)
Property and equipment, net	$ 11,625	$ 14,530

Depreciation expense for the years ended December 31, 2023, 2022 and 2021 was $ 1.7 million, $2.0 million, and $2.2 million respectively. The Company capitalized software development costs of $3.0 million and $4.3 million for the years ended December 31, 2023 and 2022, respectively. Amortization of capitalized software development costs was $4.1 million, $3.6 million and $2.5 million for the years ended December 31, 2023, 2022 and 2021 respectively.

Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 31,	
	2023	2022
Inventory purchases	$ 3,512	$ 2,757
Compensation and benefits	5,071	1,714
Advertising costs	457	1,203
Fulfillment costs	789	1,725
Sales taxes	1,106	1,374
Transaction costs	—	17,500
Other accrued expenses	5,085	5,081
Total accrued expenses	$ 16,020	$ 31,354

6. Debt

The Company's outstanding debt, net of debt discounts, consisted of the following (in thousands):

	December 31,	
	2023	2022
Structural Debt Facility	64,162	60,620
Siena Revolver	7,500	—
Atel Loan Facility Draw 3	—	480
Atel Loan Facility Draw 4	—	95
Total debt	71,662	61,195
Less: debt, current	—	(575)
Total debt, noncurrent	$ 71,662	$ 60,620

Structural Debt Facility

In December 2022, the Company entered into a Loan and Security Agreement ("Structural Debt Facility") with Structural Capital Investments III, LP, Structural Capital Investments IV, LP and Series PCI Grove series of Structural Capital Primary Co-Investment Fund, LLC (collectively, "Structural Funds") and Avenue Sustainable Solutions Fund, L.P. ("Avenue") (collectively "Structural Lenders") to borrow $ 72.0 million which was used primarily to settle other debt obligations. The Structural Debt Facility bears an annual rate of interest at the greater of 15.00% or 7.50% plus the prime rate, payable monthly. The principal repayment period commences on July 1, 2025 and continues until the maturity date of December 21, 2026. The Company may prepay all outstanding amounts under this facility at anytime. Under the agreement, when amounts are prepaid or repaid in full at the Maturity Date, the Company may be obligated to pay additional fees which would allow for Structural Funds and Avenue to reach a Minimum Return, as defined by the agreement.

The Structural Debt Facility is collateralized by the assets of the Company and includes financial covenants the Company must meet in order to avoid an Event of Default, as defined by the agreement. Such covenants include (i) maintaining a minimum of $57.0 million in unrestricted cash at all times and (ii) achieving certain revenue targets for the trailing four quarter period beginning with this fiscal quarter ended March 31, 2023. The Structural Debt Facility contains a subjective acceleration clause in the event that lenders determine that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the loan agreement, Structural has been provided with the Company's periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. The Company believes the likelihood that Structural Lenders would exercise the subjective acceleration clause is remote. As of December 31, 2023, the Company was in compliance with these debt covenants.

On December 21, 2022, in connection with the closing of the Structural Debt Facility, the Company issued to Structural Funds, including certain affiliates, and to Avenue a total of 990,000 shares of the Company's Class A common stock (the "Structural Closing Shares"). The Company recorded a debt discount of $1.1 million related to the issuance of these shares, with a corresponding offset to the Company's Class A common stock and additional paid-in capital. Further, if there are outstanding obligations relating to the Structural Debt Facility on July 21, 2025, representing the thirty-month anniversary of such closing, the Company agrees to issue to Structural Funds, including certain affiliates, and to Avenue, the aggregate number of shares of the Company's Class A common stock equal to $9,900,000, divided by the lower of (i) $ 10.00 and (ii) the volume weighted average price of the Company's Class A common stock for the sixty trading days prior to such date, as further described in the related issuance agreements (the "Structural Subsequent Shares").

The Company has identified several features within the Structural Debt Facility consisting of the contingent obligation to issue the Structural Subsequent Shares, mandatory and voluntary prepayment features and default interest rate ("Structural Derivative Liability"), which are required to be bifurcated and accounted for as a compound embedded derivative at fair value. The fair value of the Structural Derivative Liability was $ 7.1 million as of the debt issuance date. Changes in fair value will be recognized through the consolidated statements of operations and were nominal for the year ended December 31, 2023.

Closing costs consisted of $3.3 million in costs directly related to the issuance of the Structural Facility to third parties, issuance of certain Structural Closing Shares amounting to $1.1 million and the Structural Derivative Liability amount of $ 7.1 million. At December 31, 2023, the Company had $72.0 million in principal outstanding under the Structural Debt Facility with an effective interest rate of 21.37%.

Siena Revolver

In March 2023, the Company entered into a Loan and Security Agreement (the "Siena Revolver") with Siena Lending Group, LLC ("Siena") which permits the Company to receive funding through a revolving line of credit with an initial commitment of $35.0 million. The Company's borrowing capacity under the Siena Revolver is subject to certain conditions, including the Company's eligible inventory and accounts receivable balances among other limitations as specified in the agreement. In connection with this facility the Company incurred $1.1 million of debt issuance costs which have been included in other assets on the Company's balance sheet and being amortized through the Revolver's scheduled maturity date. Additional borrowing capacity from the Siena Revolver was $8.1 million as of December 31, 2023.

The interest rates applicable to borrowings under the Siena Revolver are based on a fluctuating rate of interest measured by reference to either, at the Company's option, (i) a Base Rate, plus an applicable margin, or (ii) the Term SOFR rate then in effect, plus 0.10% and an applicable margin. The Base Rate is defined as the greatest of: (1) Prime Rate as published in the Wall Street Journal, (2) Federal Funds Rate plus 0.50% and (3) 5.00% per annum. The applicable margin for Siena Revolver borrowings is based on the Company's monthly average principal balance outstanding and ranges from 2.75% to 4.50% per annum in the case of Base Rate Borrowings and 3.75% to 5.50% per annum in the case of Term SOFR borrowings. The Siena Revolver also contains various financial covenants the Company must maintain to avoid an Event of Default, as defined by the agreement, including a subjective acceleration clause in the event that Siena determines that a material adverse change has or will occur within the business, operations, or financial condition of the Company or a material impairment of the prospect of repaying any portion of this financial obligation. In accordance with the agreement, Siena has been provided with the Company's periodic financial statements and updated projections to facilitate their ongoing assessment of the Company. The Company believes the likelihood that Siena would exercise the subjective acceleration clause is remote. As of December 31, 2023, the Company was in compliance with these debt covenants.

The Siena Revolver matures at the earlier of March 10, 2026 or the maturity date of the Structural Debt Facility. As of December 31, 2023, the Company has an outstanding principal balance of $7.5 million under the Siena Revolver. The interest rate on the outstanding balance at December 31, 2023 was 9.18%

A schedule of the Company’s future debt maturities is as follows (in thousands):

Year ended December 31,	
2024	—
2025	22,737
2026	56,763
Total principal debt payments	79,500
Less: debt discounts	(7,838)
Total Debt	71,662

7. Commitments and Contingencies

Merchandise Purchase Commitments

As of December 31, 2023 and 2022 , the Company had obligations to purchase $ 14.1 million and $18.7 million, respectively, of merchandise.

Letters of Credit

The Company had irrevocable standby letters of credit in the amount of $ 3.4 million as of December 31, 2023 and 2022 primarily related to the Company’s operating leases. The letters of credit have expiration dates through January 2029.

Contingencies

From time to time, the Company is subject to various claims, charges and litigation matters that arise in the ordinary course of business. The Company records a provision for a liability when it is both probable that the loss has been incurred and the amount of the loss can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be reasonably estimated, it discloses the possible loss or range of loss. Any potential gains associated with legal matters are not recorded until the period in which all contingencies are resolved and the gain is realized or realizable. Depending on the nature and timing of any such proceedings that may arise, an unfavorable resolution of a matter could materially affect the Company’s future consolidated results of operations, cash flows or financial position in a particular period. Except if otherwise indicated, it is not reasonably possible to determine the probability of loss or estimate damages for any of the matters discussed below, and therefore, the Company has not established reserves for any of these matters.

The Santa Clara County District Attorney’s Office, in conjunction with other representatives from other California district and city attorneys’ offices, is currently investigating the Company’s compliance with California’s Automatic Renewal Law (“ARL”), California’s Unfair Competition Law, and False Advertising Law (the “CA ARL Matter”). The Company has met with this task force of multiple California district attorneys (called the California Autorenewal Task Force, or “CART”) and has provided documents and information upon request and discussed proposed remediation. Based on recent discussions with CART, it is probable that the Company will incur a loss with regard to this matter. However, based on the current information, the Company does not have enough information to make a reasonable estimate of the loss or range of loss at this time.

The Federal Trade Commission is currently investigating the Company’s billing and automatic renewal practices (the “FTC Matter”). The FTC Matter specifically relates to an investigation of the Company’s compliance with Section 5 of the Federal Trade Commission Act, the Restore Online Shoppers’ Confidence Act, the CAN-SPAM Rule, the Unordered Merchandise Statute, and other matters related to our subscription offerings. The Company certified compliance with the initial FTC Civil Investigative Demand on June 16, 2023 and continues to work closely with investigators toward resolution on this matter. To date, no legal proceeding has commenced regarding this matter. As the outcome is uncertain at this time, the Company cannot estimate the probability of loss or make an estimate of the of the potential loss or range of loss in this matter.

8. Leases

The Company has operating leases primarily for its offices and warehouses, including the lease for its office headquarters in San Francisco, CA. The lease commenced in February 2019, with an original term of approximately 8 years and an option to renew for an additional 5 years. Lease payments are made monthly and are subject to annual increases of approximately 3%.

The Company's operating leases have remaining lease terms between 1 and 5 years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. The components of lease expense included in the Company's statements of operations for the years ended December 31, 2023, 2022 and 2021, include operating lease expense of $6.3 million, $7.6 million and $7.4 million, respectively, and variable lease expense $1.2 million, $0.8 million and $0.6 million, respectively. Variable lease expenses are primarily related to payments made to lessors for common area maintenance, property taxes, insurance, and other operating expenses and are classified as lease expense due to the Company's election to not separate lease and non-lease components.

Cash paid for amounts included in the measurement of operating lease liabilities for the years ended December 31, 2023, 2022 and 2021 was $6.6 million, $6.9 million and $6.8 million which was included in net cash used in operating activities in the Company's statements of cash flows. Due to the Company's renewal of its lease at one of its warehousing facilities, there were $2.4 million of new operating lease right-of-use assets obtained in exchange for new operating lease liabilities during the year ended December 31, 2023. There were no new operating lease right-of-use assets obtained in exchange for new operating lease liabilities during the years ended December 31, 2022 and 2021.

Maturities of operating lease liabilities were as follows (in thousands):

Year Ended December 31,	Operating Lease
2024	$ 5,968
2025	6,043
2026	6,219
2027	4,241
2028	1,404
Thereafter	—
Total undiscounted lease payments	23,875
Less: Imputed interest	(5,982)
Present value of lease liabilities	17,893
Less: Operating lease liabilities, current	(3,489)
Operating lease liabilities, noncurrent	$ 14,404

The weighted-average remaining lease term and discount rate related to the Company's operating lease liabilities as of December 31, 2023 and 2022 were 3.8 years and 4.5 years, respectively, and 15.5% as of December 31, 2023 and 2022 .

Impairment

During the years ended December 31, 2023 and 2022, the Company recorded $ 2.3 million and $5.3 million of impairment charges, respectively, on its operating lease right-of-use assets related to the Company's corporate office space located in San Francisco, California with the impairment expense being recorded within selling, general, and administrative on the consolidated statements of operations.

9. Redeemable Convertible Preferred Stock

On August 11, 2023 (the "Preferred Stock Closing Date"), the Company entered into a subscription agreement (the "Preferred Stock Subscription Agreement") with Volition Capital Fund IV, L.P. ("Volition") where the Company

received gross proceeds of $10.0 million in exchange for 10,000 shares of the Company's Series A Redeemable Convertible Preferred Stock (the "Preferred Stock"), a warrant to purchase 1,579,778 shares of Grove's Class A common stock at an exercise price of $ 6.33 per share (the "Volition Warrant") and a separate warrant to Volition to purchase 20,905 shares of Grove's Class A common stock at an exercise price of $ 0.01 per share (the "Volition Penny Warrant"). The Volition Warrant and the Volition Penny Warrant each expire on the three-year anniversary of the Preferred Stock Closing Date and are not exercisable until six months following the Preferred Stock Closing Date.

The Company allocated the proceeds received on the Preferred Stock Closing Date to the Preferred Stock, Volition Warrant and Volition Penny Warrant (together the "Volition Warrants") on a relative fair value basis. The aggregate fair value of the Volition Warrants was $ 0.7 million and determined using a Black-Scholes Model with the following inputs:

Fair value of common stock	$2.16
Exercise Price	$0.01 — $6.33
Expected term in years	3.0
Risk free rate	4.56%
Volatility	67.24%
Dividend yield	—%

Gross proceeds and transaction costs were allocated between the Preferred Stock and Volition Warrants as follows:

	Gross Proceeds	Transaction Costs	Net Proceeds
Preferred Stock	$ 9,336	$ (292)	$ 9,044
Volition Warrants	664	(21)	643
Total	$ 10,000	$ (313)	$ 9,687

Significant provisions of the Preferred Stock are as follows:

Dividends

The holders of the outstanding shares of Preferred Stock shall be entitled to receive, only when, as and if declared by the Board of Directors, out of any funds and assets legally available therefore, dividends at the rate of 6% per annum of the original issuance price for each share of Preferred Stock, prior and in preference to any declaration or payment of any other dividend (other than dividends on shares of Class A common stock payable in shares of Class A common stock). The dividends on shares of the Preferred Stock accrue from day to day, whether or not declared, and shall be cumulative, provided, however, such accruing dividends shall be payable only when, as, and if declared by the Board of Directors and the Company shall be under no obligation to pay such accruing dividends. Total cumulative undeclared dividends as of December 31, 2023 was $0.2 million.

Liquidation

Upon any liquidation transaction, whether voluntary or involuntary, each holder of outstanding shares of Preferred Stock shall be entitled to be paid out of the assets of the Company legally available for distribution to stockholders, whether such assets are capital, surplus or earnings, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Class A common stock, Class B common stock or of any other stock or equity security, an amount in cash, equal to the greater of (i) the Preferred Stock original issuance price held by such holder plus any declared but unpaid dividends to which such holder of outstanding shares of the Preferred Stock is then entitled, if any, or (ii) the amount each holder of a share of the Series A would be entitled on an as-converted into Class A common stock basis, based on the then effective Conversion Price, as defined by the Certificate of Designations of Series A Convertible Preferred Stock, (without regard to any restrictions or limitations on conversion) immediately prior to such liquidation transaction. If, upon any Liquidation Transaction, the funds legally available for distribution to all holders of the Preferred Stock shall be insufficient to permit the payment to all such holders of the full liquidation preference amount, then the entire funds legally available for distribution shall be distributed ratably

among the holders of the Preferred Stock ratably in proportion to the full preferential amounts to which they are entitled to.

Voting

Each holder of Preferred Stock is entitled to the number of votes equal to the number of shares of Class A common stock into which such shares of the Preferred Stock are then convertible based on the Conversion Price as of the record date for determining stockholders entitled to vote on such matter and shall have voting rights and powers equal to the voting rights and powers of the Class A common stock (except as otherwise expressly provided herein or as required by law, voting together with the Class A common stock as a single class) and shall be entitled to notice of any such stockholders' meeting in accordance with the Bylaws of the Company. For so long as an original purchaser of the Preferred Stock beneficially holds 20% or more of the shares of Class A Common Stock (calculated on as converted basis based on the Conversion Price (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like) such purchaser acquired pursuant to the Preferred Stock Subscription Agreement, such purchaser shall have the right to designate up to one director for election to the Board of Directors as a Class I Director.

Conversion

At the option of the holder, each share of Preferred Stock is convertible into fully paid and non-assessable shares of Class A common stock equal to the sum of (i) the amount determined by dividing (x) the Preferred Stock original issuance price plus any declared but unpaid dividends to which such share of the Preferred Stock is then entitled by (y) $2.11 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like) in effect on the date the certificate is surrendered for conversion or notice is provided for non-certificated shares and (ii) the Subsequent Issuance Share Adjustment, as defined by the Certificate of Designations of Series A Convertible Preferred Stock.

The Company may, in its sole discretion, upon five business days prior written notice, force the conversion of all of the outstanding shares of the Preferred Stock (including any declared but unpaid dividends to which such shares of Preferred Stock are then entitled) at the conversion price upon certain events, as specified in the Certificate of Designations of Series A Convertible Preferred Stock.

Redemption

At the option of the holder, the Preferred Stock is redeemable for the original issuance price plus any declared but unpaid dividends following the seventh anniversary of the Preferred Stock Closing Date.

The Company evaluated these features and determined that the Preferred Stock is appropriately classified as temporary equity due to the redemption provisions allowing the holders to redeem the Preferred Stock upon a liquidation transaction or following the seventh anniversary of the closing date. The Volition Warrants and Volition Penny Warrants are classified within additional paid-in capital on the Company's balance sheet at December 31, 2023.

10. Common Stock and Warrants

Prior to the Business Combination, Legacy Grove had one class of authorized common stock (Class B common stock). The outstanding shares of Legacy Grove common stock is presented on the consolidated balance sheet and on the statements of convertible preferred stock, contingently redeemable convertible common stock and stockholders' deficit for the year ended December 31, 2023.

Merger Transaction

On the Closing Date and in accordance with the terms and subject to the conditions of the Business Combination, each common stock, par value $0.0001 per share (other than Backstop Tranche 1 Shares), preferred stock, outstanding options (whether vested or unvested), restricted stock units (whether vested or unvested) and warrants of Legacy Grove was canceled and converted into a comparable number of awards (i) that consisted of either the rights to receive or acquire shares of the Company's Class B common stock, par value $0.0001 per share, as determined by the exchange ratio, and (ii) the right to receive a number of the Company's Earn-Out shares. Each Backstop Tranche 1 Shares issued to the Backstop Investor pursuant to the Backstop Subscription Agreement was canceled and converted into the right to receive a number of shares of the Company's Class B common stock equal to the exchange ratio, which were immediately exchanged on a one-for-one basis for shares of the Company's Class A common stock). The exchange ratio is approximately 1.1760.

On June 16, 2022, in connection with the closing of the Business Combination, the Company amended and restated its certificate of incorporation to authorize 900,000,000 shares, consisting of (a) 800,000,000 shares of common stock, including (i) 600,000,000 shares of Class A common stock, and (ii) 200,000,000 shares of Class B common stock, and (b) 100,000,000 shares of preferred stock.

The rights of the holders of the Company's Class A common stock and Class B common stock are identical, except with respect to number of voting rights. Holders of the Company's Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share. Each share of Class B common stock is convertible into one share of the Company's Class A common stock any time at the option of the holder, and is automatically converted into one share of the Company's Class A common stock upon transfer (except for certain permitted transfers). Once converted into the Company's Class A common stock, the Class B common stock will not be reissued. The Company's Board of Directors has the authority to issue shares of the Preferred Stock in one or more series and to determine the voting rights, designations, powers, preferences, other rights and restrictions of each such series of shares.

Earn-Out Shares

At the closing of the Business Combination, Class B common stock shareholders (including Grove stock option, restricted stock unit, and warrant holders) were issued 2,799,696 shares of the Company's Class B Common Stock ("Earn-Out Shares"). During the year ended December 31, 2023, certain shareholders surrendered an aggregate 197,284 Earn-Out Shares which, per terms of the Merger Agreement, were cancelled by the Company and not reallocated among the remaining holders. The remaining 2,602,412 Earn-Out Shares will vest (i) with respect to 1,301,206 of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $62.50 per share for any 20 trading days within any 30-trading-day period and (ii) with respect to 1,301,206 of the Earn-Out Shares, upon the closing price of the Company's Class A common stock equaling or exceeding $75.00 per share for any 20 trading days within any 30-trading-day period. Such events can occur during a period of ten years following the Business Combination (the "Earn-Out Period").

If, during the Earn-Out Period, there is a Change of Control Transaction (as defined in the Merger Agreement), then all remaining triggering events that have not previously occurred and the related vesting conditions shall be deemed to have occurred.

If, upon the expiration of the Earn-Out Period, any Earn-Out Shares shall have not vested, then such Earn-Out Shares shall be automatically forfeited by the holders thereof and canceled by the Company. The settlement amount to be paid to the selling shareholders of the Earn-Out Shares can change and is not indexed to the Company's stock. Due to the change in control event contingency and variable number of Earn-Out shares to be settled to the holders, the Earn-Out Shares fail the equity scope exception and are accounted for as a derivative in accordance with ASC 815 and will be remeasured on a recurring basis at fair value, with changes in fair value recorded in the condensed consolidated statements of operations. As of December 31, 2023, the Company did not meet any Earn-Out thresholds.

Class A Common Stock Warrants

As the accounting acquirer, Grove Collaborative, Inc. is deemed to have assume d 6,700,000 Private Placement Warrants for the Company's Class A common stock that were held by Virgin Group Acquisition Sponsor II LLC (the "Sponsor") and 8,050,000 of the Company's Class A common stock Public Warrants that were held by VGAC II's shareholders. The warrants will expire on July 16, 2027, or earlier upon redemption or liquidation. Five whole warrants must be bundled together in order to receive one share of the Company's Class A common stock at an effective exercise price of $57.50.

Subsequent to the Closing of the Business Combination, the Private Placement and Public Warrants for shares of the Company's Class A common stock meet liability classification requirements since the warrants may be required to be settled in cash under a tender offer. In addition, Private Placement warrants are potentially subject to a different settlement amount as a result of being held by the Sponsor which precludes the private placement warrants from being considered indexed to the entity's own stock. Therefore, these warrants are classified as liabilities and included in derivative liabilities on the Company's balance sheet as of December 31, 2023.

As of December 31, 2023, the following Warrants were outstanding on an as converted basis:

Warrant Type	Shares	Exercise Price
Public Warrants	1,460,146	$ 57.50
Private Placement Warrants	1,340,000	$ 57.50

Public Warrants

The Public Warrants become exercisable into shares of the Company's Class A common stock commencing on July 16, 2022 and expire on July 16, 2027, or earlier upon redemption or liquidation. At closing, the Company assumed 8,050,000 public warrants. On June 16, 2023, the Company agreed to cancel 749,291 Public Warrants from certain holders. Five whole warrants must be bundled together in order to receive one share of the Company's Class A common stock at an effective exercise price of $57.50 per share, subject to certain adjustments.

The Company may redeem, with 30 days written notice, each whole outstanding Public Warrant for cash at a price of $0.01 per warrant if the Reference Value equals or exceeds $90.00 per share, subject to certain adjustments. The warrant holders have the right to exercise their outstanding warrants prior to the scheduled redemption date during the Redemption Period at and effective price of $57.50 per share, subject to certain adjustments. If the Company calls the Public Warrants for redemption, the Company will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis", as described in the warrant agreement. For purposes of the redemption, "Reference Value" shall mean the last reported sales price of the Company's Class A common stock for any twenty trading days within the thirty trading-day period ending on the third trading day prior to the date on which notice of the redemption is given.

Private Placement Warrants

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants were not transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Warrants are exercisable on a cashless basis and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, then such warrants will be redeemable by the Company and exercisable by the warrant holders on the same basis as the Public Warrants. At Closing, the Company assumed 6,700,000 Private Placement Warrants.

Backstop Warrants

In connection with the Business Combination and Backstop Subscription Agreement, the Company issued to the Corvina Holdings limited warrants to purchase 775,005 shares of the Company's Class A common stock with an exercise price of $ 0.05 per share (such warrants, the "Backstop Warrants"). The Backstop Warrants are exercisable by the Backstop Investor at any time on or before June 16, 2027, and are on terms customary for warrants of such nature. None of these warrants have been exercised as of December 31, 2023.

Standby Equity Purchase Agreement

On July 18, 2022, the Company entered into a Standby Equity Purchase Agreement (the “SEPA”) with YA II PN, LTD (“Yorkville” or “SEPA Investor”), pursuant to which Yorkville has agreed to purchase up to $100 million shares of common stock from time to time over a period of 36 months, subject to certain conditions. The shares of the Company’s common stock that may be issued under the SEPA may be sold by us to Yorkville at our discretion from time to time and sales of the Company’s common stock under the SEPA will depend upon market conditions and other factors. Additionally, in no event may the Company sell more than 6,511,532 shares of common stock to Yorkville under the SEPA, which number of shares is equal to 19.99% of the shares of the Company's common stock outstanding immediately prior to the execution of the Equity Purchase Agreement (the “Exchange Cap”), unless stockholder approval is obtained to issue shares of common stock in excess of the Exchange Cap in accordance with applicable NYSE rules or comply with certain other requirements as described in the Equity Purchase Agreement. As a result, unless the Company’s stock price exceeds $15.33, the Company will be unable to sell the full $ 100.0 million commitment to Yorkville without seeking stockholder approval to issue additional shares in excess of the Exchange Cap. The purchase price per share for the Company’s Class A common stock will be 97.55% of the Volume-Weighted Average Price (“VWAP”) of the Company’s Class A common stock over the Pricing Period, as defined by the agreement. The Company deferred $0.7 million of transaction costs related to the SEPA and will offset these costs against proceeds of any sales under the SEPA. As of December 31, 2023, the Company has sold 147,965 shares under the SEPA for total gross proceeds of $ 2.4 million. Issuance costs related to these shares are not material. As of December 31, 2023, there were 6,363,567 shares available to be sold to Yorkville under the Exchange Cap.

HGI Subscription Agreement

On November 10, 2022, the Company entered into a subscription agreement (the “HGI Subscription Agreement”) with HCI Grove LLC (“HGI”), pursuant to which, among other things, the Company issued to HGI 396,825 shares of the Company’s Class A common stock (“Subscribed Shares”) for aggregate proceeds of $2.5 million. Under the terms of the HGI Subscription Agreement, the Company was required to file a registration statement for the Subscribed Shares upon the Company becoming eligible to file a registration statement on Form S-3 and in any event prior to July 15, 2023 (the “Subscribed Shares Registration Statement”). The Subscribed Shares Registration Statement was filed on July 14, 2023.

The HGI Subscription Agreement also provides that the Company will issue additional shares (the “HGI Additional Shares”) of the Company’s Class A common stock to HGI in the event that the volume weighted average price of the Company’s Class A common stock is less than $ 6.30 during the three trading days commencing on the first trading day after (i) the Company files the Subscribed Shares Registration Statement (the “Registration Date”), (ii) the three-month anniversary of the Registration Date, (iii) the six-month anniversary of the Registration Date, or (iv) the nine-month anniversary of the Registration Date (“Measurement Periods” and each “Measurement Period”) upon HGI’s election to receive such additional shares. Following the effectiveness of the Subscribed Shares Registration Statement, HGI exercised their right to receive all HGI Additional Shares issuable under the HGI Subscription Agreement. On August 1, 2023, the Company issued to HGI 714,285 shares of the Company’s Class A common stock which settled all obligations under the HGI Additional Shares liability.

Concurrent with the HGI Subscription Agreement, the Company also entered into a consulting services agreement (the “Consulting Agreement”) with HCI Grove Management LLC (the “Consultant”). In consideration for the services under the Consulting Agreement, the Company (i) paid the Consultant an upfront fee of $150,000 and (ii) issued the Consultant 905,000 warrants (the “HGI Warrant Shares”) to purchase shares of the Company’s Class A common stock (the “HGI Warrants”), at an exercise price per share of $6.30 (the “Exercise Price”). On November 10, 2022, 40% of the HGI Warrant Shares vested and became issuable (the “Vested Warrants”), and the remaining HGI Warrant Shares (the “Unvested Warrants”) shall vest and become exercisable if, prior to December 31, 2024, the Company achieves at least $100.0 million in quarterly net revenue on a consolidated basis or if the Company consummates a Change of Control, as defined in HGI Warrants. If, as a result of the Change of Control, the Company’s equity holders own less than 25% of the equity securities of the surviving entity in such Change of Control, the Exercise Price shall be increased by 50%.

The Company determined the Vested Warrants and Unvested Warrants qualify as stock based compensation to a nonemployee. The Company recorded $1.2 million in stock based compensation expense on the execution date of the HGI Subscription Agreement. The Company performs a probability reassessment related to the Unvested Warrants each reporting period and will recognize the cumulative catch-up adjustment based on the grant-date fair value when the vesting conditions are probable of being achieved. Any remaining expense will continue to ratably recognized until the date the revenue target is achieved, and the Unvested Warrants are fully vested.

The fair value of Vested Warrants and Unvested Warrants granted to HGI was estimated at the date of grant using the Black-Scholes option-pricing model, with the following assumptions:

Fair value of common stock	$6.30
Expected term in years	4.5
Volatility	62.50%
Risk-free interest rate	4.00%
Dividend yield	—

Reserved for Issuance

The Company has the following shares of common stock reserved for future issuance, on an as-if converted basis:

	December 31, 2023		December 31, 2022	
	Class A Common Stock	**Class B Common Stock**	**Class A Common Stock**	**Class B Common Stock**
Private Placement Warrants	1,340,000	—	1,340,000	—
Public Warrants	1,460,146	—	1,610,000	—
Backstop Warrants	775,005	—	775,005	—
Volition Penny Warrants	20,905	—	—	—
Shares issuable upon conversion of redeemable convertible preferred stock	4,739,336	—	—	—
Other Outstanding common stock warrants	2,484,778	113,776	905,000	113,776
Outstanding stock options	1,084,456	809,847	1,264,302	839,705
Outstanding restricted stock units	4,703,850	9,005	3,864,448	32,149
Shares available for issuance under 2022 Equity Incentive Plan	4,642,495	—	4,158,872	—
Shares available for issuance under ESPP	746,212	—	654,814	—
Total shares of common stock reserved	21,997,183	932,628	14,572,441	985,630

11. Stock-Based Compensation

Equity Incentive Plan

In 2016, Legacy Grove adopted the 2016 Equity Incentive Plan (the “2016 Plan”). The 2016 Plan provides for the granting of stock-based awards to employees, directors and consultants under terms and provisions established by the Board of Directors. In April 2022, the Company’s Board of Directors authorized an increase in the number of shares available for issuance under the 2016 Plan by 700,000. In addition, all equity awards of Legacy Grove that were issued under the 2016 Plan were converted into comparable equity awards that are settled or exercisable for shares of the Company's Class B common stock. As a result, each of Legacy Grove's equity awards were converted into a comparable equity award with respect to shares of the Company's Class B common stock based on an exchange ratio of approximately 1.1760. As of the effective date of the 2022 Plan (as defined below), no further stock awards have been or will be granted under the 2016 Plan.

In June 2022, the stockholders of the Company approved the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (the "2022 Plan"). The Plan provides for the granting of stock-based awards to eligible participants, specifically officers, other employees, non-employee directors, consultants, independent contractors under terms and provisions established by the Board of Directors.

The 2022 Plan authorizes the issuance of the Company's Class A common stock of up to 8,107,744 shares. The number of shares available shall increase annually on the first day of each calendar year continuing until (and including) calendar year December 31 2032, with annual increases equal to lesser of (i) 5% of the number of shares of the Company's Class A and Class B common stock issued and outstanding on December 31 of the immediately preceding fiscal year, and (ii) an amount determined by the Board of Directors.

Stock option activity under the 2016 Plan is as follows (in thousands, except share and per share amounts):

	Options Outstanding			
	Number of Options	**Weighted–Average Exercise Price**	**Weighted-Average Remaining Contractual Life (years)**	**Aggregate Intrinsic Value**
Balance – December 31, 2022	2,104,007	$ 7.95	4.87	$ 61
Exercised	(37,334)	1.90		
Cancelled/forfeited	(172,370)	10.73		
Balance – December 31, 2023	1,894,303	7.82	4.23	32
Options vested and exercisable – December 31, 2023	1,681,368	$ 6.43	3.86	$ 32

No stock options were granted during the years ended December 31, 2023 and 2022. The weighted-average grant date fair value of stock options granted during the year ended December 31, 2021 was $18.65 per share. The total grant date fair value of stock options that vested during the years ended December 31, 2023, 2022 and 2021 was $0.2 million, $10.5 million and $13.3 million, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2023, 2022 and 2021 was nominal, $1.0 million and $4.3 million, respectively. The aggregate intrinsic value is the difference between the current fair value of the underlying common stock and the exercise price for in-the-money stock options.

Market-Based Stock Options

In February 2021, the Company granted 203,434 stock options with market and liquidity event-related performance-based vesting criteria with an exercise price of $18.85 per share. 100% of the stock options vest upon valuation of the Company's stock at a stated price upon occurrence of specified transactions. Fair value was determined using the probability weighted expected term method ("PWERM"), which involves the estimation of future potential outcomes as well as values and probabilities associated with each potential outcome. Two potential scenarios were used in the PWERM that utilized 1) the value of the Company's common equity, and 2) a Monte Carlo simulation to specifically value the award. The total grant date fair value of the award was determined to be $5.5 million. Since a liquidity event is not deemed probable until such event occurs, no compensation cost related to the performance condition was recognized prior to the Business Combination on June 16, 2022. Subsequently, the Company recorded stock-based compensation expense of $4.6 million for service periods completed prior to the Business Combination. As of December 31, 2023, the market-based vesting criteria had not been met.

Restricted Stock Units

The following table summarizes the activity for all RSUs under all of the Company's equity incentive plans for the year ended December 31, 2023:

	Number of shares	Weighted–Average Grant Date Fair Value Per Share
Unvested – December 31, 2022	3,896,597	$ 8.78
Granted	4,073,223	2.21
Vested	(2,484,612)	7.15
Cancelled/forfeited	(772,353)	7.56
Balance – December 31, 2023	4,712,855	4.16

RSUs granted under the 2016 Plan contained vesting conditions based on continuous service and the occurrence of a specified liquidity event, which is considered a performance condition. The performance condition was satisfied on June 16, 2022 with the closing of the Business Combination. Accordingly, the Company started recognizing stock compensation expense in the three months ended June 30, 2022 using the accelerated attribution method from the grant date for RSUs granted under the 2016 Plan. The total cumulative catch up expense related to prior periods recognized for the RSUs was $11.9 million.

CEO Award

On August 16, 2023, the Company's Board of Directors granted its Chief Executive Officer an aggregate of 850,000 Class A common stock RSUs (the "CEO Award") separate from the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan. A portion of the CEO Award contains market based vesting requirements consisting of four tranches that vest separately upon the Company's public stock price meeting certain price thresholds. Additionally, the CEO Award also contains a service requirement with 25% of the shares vesting each year from the grant date for four years. The CEO Award has a total aggregate value of $ 2.0 million. During the period ended December 31, 2023, the Company recorded $ 0.3 million of stock-based compensation expense related to the CEO Award.

Employee Stock Purchase Plan

In May 2022, the Company's board of directors adopted the 2022 Employee Stock Purchase Plan (the "ESPP"), which was subsequently approved by the Company's stockholders. The ESPP went into effect on November 16, 2022. Subject to certain limitations contained therein, the ESPP allows eligible employees to contribute, through payroll deductions, up to 20% of their eligible compensation to purchase the Company's Class A common stock at a discounted price per share. Subject to adjustment in the case of certain capitalization events, a total of 3,274,070 shares of Class A common stock of the Company were available for purchase at adoption of the ESPP. Pursuant to the ESPP, beginning the fiscal year ended December 31, 2023 the annual share increase pursuant to the evergreen provision is determined based on the lesser of (i) 3,274,070 shares (ii) 1% of the number of shares of the Company's Class A Common Stock and Class B Common Stock issued and outstanding on December 31 of the immediately preceding fiscal year, or (iii) such number of shares as determined by the Board of Directors. The Company recognized $0.8 million and $0.1 million of expense related to the ESSP for the years ended December 31, 2023 and 2022, respectively. There were 263,219 shares of Class A common stock purchased under the ESPP during the year ended December 31, 2023 with a weighted average fair value of $0.85. No shares were purchased under the ESPP during the year ended December 31, 2022.

The following assumptions were used in estimating the fair values of shares under the ESPP for the period indicated:

	Year Ended December 31, 2023
Fair value of common stock	$2.37 - $6.20
Expected term (in years)	0.50 - 1.00
Volatility	66.00% - 73.00%
Risk-free interest rate	4.54% - 5.24%
Dividend yield	—

Equity Award Modifications

During the year ended December 31, 2022, the Company modified stock options held by former and existing employees to accelerate vesting and to extend the post-termination exercise period of the awards from 60 days to 1, 2 or 10 years after termination, as well as accelerated the vesting of certain stock options and RSUs. The modifications resulted in modification expenses of $2.9 million during the year ended December 31, 2022. Equity award modifications were immaterial for the year ended December 31, 2023.

On September 19, 2022, the Company’s Board of Directors approved a stock option exchange which permitted certain employee and non-employee option holders, subject to specified conditions, to exchange some or all of their outstanding stock options to purchase shares of the Company's common stock for RSUs to be issued under the 2022 Plan (the “Option Exchange”). The Option Exchange commenced on September 26, 2022 and concluded on October 21, 2022, with RSUs being issued in the Option Exchange on October 27, 2022 following approval by the Compensation Committee of the Company’s Board of Directors. For fully vested stock options that were tendered in the Option Exchange, the Company issued RSUs which were unvested immediately following the Option Exchange and vested or will vest 50% on each of February 15, 2023 and May 15, 2023. RSUs issued in exchange for unvested options vested or will vest in equal installments on each February 15, May 15, August 15 and November 15 until becoming fully vested in the calendar quarter in which the stock option tendered in exchange for such RSUs would have fully vested had it not been exchanged. As a result of the Option Exchange, 2,595,496 stock options, with a weighted average exercise price of $16.20, were exchanged for 1,916,450 RSUs. The aggregate incremental stock-based compensation expected to be recognized over the vesting periods for awards related to the Option Exchange is $4.4 million,

Stock-Based Compensation Expense

For the years ended December 31, 2023, 2022, and 2021 the Company recognized a total of $ 15.5 million, $43.6 million and $14.6 million of stock-based compensation expense, respectively, related to stock options and RSUs granted to employees and non-employees. Stock-based compensation expense was predominately recorded in selling, general and administrative expenses in the statements of operations for each period presented. As of December 31, 2023, the total unrecognized compensation expense related to unvested options and RSUs was $17.8 million, which the Company expects to recognize over an estimated weighted average period of 1.9 years.

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12. Provision for Income Taxes

The Company is subject to U.S. federal, state, and local corporate income taxes.

The Company's effective income tax rate reconciliation is composed of the following for the periods presented:

	Year Ended December 31,					
	2023		2022		2021	
Federal statutory rate	21.0	%	21.0	%	21.0	%
Stock-based compensation	(9.2)	%	(7.3)	%	(0.6)	%
Remeasurement of derivative liabilities	0.1	%	17.5	%	(0.2)	%
Other	—	%	0.4	%	—	%
Change in valuation allowance	(12.0)	%	(31.6)	%	(20.2)	%
Provision for income taxes	(0.1)	%	—	%	—	%

The components of net deferred tax assets are as follows (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 125,850	$ 119,345
Deferred revenue	1,745	2,581
Inventory reserve and uniform capitalization	2,509	3,365
Operating lease liabilities	4,364	4,720
Accruals and other reserves	1,332	1,876
Stock-based compensation	5,570	6,856
Business Interest Carryforwards	7,660	4,840
Other	268	268
Total deferred tax assets	149,298	143,851
Less: valuation allowance	(145,711)	(139,033)
Total deferred tax assets, net of valuation allowance	3,587	4,818
Deferred tax liabilities:		
Operating lease right-of-use assets	(2,344)	(2,933)
Depreciation and amortization	(1,243)	(1,885)
Total deferred tax liabilities	(3,587)	(4,818)
Net deferred tax assets	$ —	$ —

The following summarizes the activity related to valuation allowances on deferred tax assets:

	December 31,	
	2023	2022
Valuation allowance, as of beginning of year	$ 139,033	$ 107,301
Valuation allowance established	5,947	31,270
Changes to existing valuation allowances	731	462
Valuation allowance, as of end of year	$ 145,711	$ 139,033

As of December 31, 2023, the Company had federal and state net operating loss ("NOL") carryforwards of $ 536.8 million and $226.8 million, respectively. $511.9 million of the federal NOL carryforwards have no expiration and can only be used to offset 80% of the Company's future taxable income. The state NOL carryforwards include $197.0 million with definitive expiration dates and $ 29.8 million with no expiration. The state NOLs are presented as an apportioned amount.

Valuation Allowance

The realization of deferred tax assets is based on historical tax positions and estimates of future taxable income. We evaluate both the positive and negative evidence that we believe is relevant in assessing whether we will realize the deferred tax assets. A valuation allowance is recorded when it is more likely than not that some portion of the deferred tax assets will not be realized. To the extent that a valuation allowance has been established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the valuation allowance will be released.

The Company's valuation allowance was $145.7 million as of December 31, 2023, which represents an increase of $6.7 million from the prior year. The increase in the valuation allowance primarily relates to the following: (i) an increase of $5.9 million relating to current year operating activity, and (ii) an increase of $0.7 million relating to changes to the state blended rate.

The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences are deductible. We consider the scheduled reversal of deferred tax liabilities (including the effect of available carryback and carryforward periods), as well as projected pre-tax book income in making this assessment. To fully utilize the NOL and tax credits carryforwards we will need to generate sufficient future taxable income in each respective jurisdiction.

Uncertain Tax Positions

During the years ended December 31, 2023 and 2022, the Company did not record any uncertain tax positions and the balances of unrecognized tax positions were nominal.

The amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statute of limitations. Although the outcomes and timing of such events are highly uncertain, the Company does not expect the unrecognized tax benefits to change significantly over the next 12 months.

The Company recognizes interest and penalties related to uncertain tax positions in its provision for income taxes. Accrued interest and penalties are included within the related tax liability.

The Company files income tax returns in the U.S. federal and various state and local jurisdictions. The Company has no ongoing tax examinations by the U.S. income tax authorities at this time. The Company is subject to U.S. federal, state or local income tax examinations for all prior years.

13. Net Loss Per Share Attributable to Common Stockholders

The following table presents the calculation of basic and diluted income (loss) per share attributable to common stockholders (in thousands, except share and per share data):

	Year Ended December 31,		
	2023	2022	2021
Net loss, basic and diluted	$ (43,232)	$ (87,715)	$ (135,896)
Less: Accretion on Series A redeemable convertible preferred stock	(957)	—	—
Less: Series A accumulated dividends	(233)	—	—
Net loss attributable to common stockholders, basic and diluted	$ (44,422)	$ (87,715)	$ (135,896)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.28)	$ (4.85)	$ (79.28)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	34,797,582	18,101,407	1,714,230

The following potentially dilutive shares were excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented, because including them would have been anti-dilutive (on an as-converted basis):

	Year Ended December 31,		
	2023	2022	2021
Convertible preferred stock	4,739,336	—	23,057,403
Common stock options	1,894,303	2,104,007	5,576,504
Restricted stock units	4,712,855	3,896,597	355,436
Preferred stock warrants	—	—	147,152
Common stock warrants	2,598,554	1,018,776	137,669
Private and Public Placement Warrants	2,800,146	2,950,000	—
Earn-Out Shares	2,602,554	2,799,696	—
Shares subject to repurchase	—	—	16,350
ESPP Shares	67,178	—	—
Total	19,414,926	12,769,076	29,290,514

14. Subsequent Events

In March 2024, the Company announced the planned closure of the St. Peters, Missouri fulfillment center in the second quarter of 2024 to further optimize fulfillment operations. As a result of this announcement, the Company expects to incur charges including, but not limited to, certain exit costs, employee severance charges and certain asset impairments. The Company is currently evaluating the full impact of this announcement on its consolidated financial statements.

In March 2024, the Company entered into an amendment to the lease agreement (the "Amendment") for its headquarters located in San Francisco, California, to provide for, among other things, a reduction of the amount of space being leased and reduces the monthly lease payments owed to the lessor. In connection with the Amendment, the Company paid $4.8 million upon execution. The Amendment requires the Company to make escalating undiscounted annual base rent payments of up to $0.4 million, payable monthly. The lease term under the Amendment expires in May 2027. The Company is currently evaluating all the terms of this lease modification and its impact on the consolidated financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, is recorded, processed, summarized, and reported within the time period specified in the SEC's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. The Company evaluated, with the participation of the current chief executive officer and chief financial officer (the "Company's Certifying Officers"), the effectiveness of the Company's disclosure controls and procedures as of December 31, 2023, the end of the period covered by this Annual Report on Form 10-K, pursuant to Rule 13a-15(b) under the Exchange Act. The Company's Certifying Officers concluded that our disclosure controls and procedures were effective as of December 31, 2023.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is designed 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. Under the supervision and with the participation of management, our Chief Executive Officer and Chief Financial Officer conducted an evaluation of the effectiveness of the internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on such evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm due to a transition period established by the rules of the SEC for "emerging growth companies".

(b) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the nine months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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. The Company does not expect that its disclosed 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.

Item 9B. Other Information

None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the three months ended December 31, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspections.

None

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2023.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2023.

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

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2023.

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

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2023.

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to our definitive Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of our year ended December 31, 2023.

Part IV

Item 15. Exhibits

(a) Exhibits.

Exhibit Number	Description
2.1†	Agreement and Plan of Merger, dated as of December 7, 2021, by and among Virgin Group Acquisition Corp. II, Treehouse Merger Sub, Inc. and Grove Collaborative, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on December 8, 2021).
2.2†	Amended and Restated Agreement and Plan of Merger, dated as of March 31, 2022, by and among Virgin Group Acquisition Corp. II, Treehouse Merger Sub, Inc., Treehouse Merger Sub II, LLC and Grove Collaborative, Inc. (incorporated by reference to Exhibit 2.1 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on April 4, 2022).
3.1	Certificate of Incorporation of Grove Collaborative Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
3.2	Amended and Restated Bylaws of Grove Collaborative Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 001-40263) filed with the SEC on November 30, 2023).
3.3	Certificate of Amendment to Certificate of Incorporation of Grove Collaborative Holdings, Inc.(incorporated by reference to Exhibit 3.1 to the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 5, 2023).
3.4	Certificate of Designations of Series A Convertible Preferred Stock of Grove Collaborative Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-40263) filed with the SEC on August 14, 2023).
3.5	Subscription Agreement between Grove Collaborative Holdings and Volition Capital Fund IV, L.P (incorporated by reference to Exhibit 10.1 to the Company 's Current Report on Form 8-K (File No. 001-40263) filed with the SEC on August 14, 2023
4.1	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 filed by the Registrant on March 15, 2021).
4.2	Warrant Agreement, dated as of March 22, 2021, between Virgin Group Acquisition Corp. II and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed by the Registrant on March 25, 2021).
4.3	Certificate of Corporate Domestication of Virgin Group Acquisition Corp. II (incorporated by reference to Exhibit 4.3 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.4	Warrant Agreement, dated June 16, 2022, between Grove Collaborative Holdings, Inc. and Corvina Holdings Limited (incorporated by reference to Exhibit 4.4 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.5	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.5 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.6	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.6 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.7	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.7 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.8	Specimen Warrant to Purchase Shares of Common Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.8 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.9	Specimen Warrant to Purchase Shares of Series A Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.9 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).

Exhibit Number	Description
4.10	Specimen Warrant to Purchase Shares of Series B Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.10 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.11	Specimen Warrant to Purchase Shares of Series C Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.11 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.12	Specimen Warrant to Purchase Shares of Series D Preferred Stock of Grove Collaborative, Inc. (incorporated by reference to Exhibit 4.12 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on June 23, 2022).
4.13	Warrant Agreement, dated November 10, 2022, between Grove Collaborative Holdings, Inc. and HCI Grove Management LLC (incorporated by reference to Exhibit 4.13 of the Company's Form 10-Q, filed with the SEC on November 10, 2022).
4.14*	Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.
4.15	Warrant Agreement, dated August 11, 2023, between Grove Collaborative Holdings, Inc. and Volition Capital Fund IV, L.P. (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K, filed with the SEC on August 14, 2023).
4.16	Warrant Agreement, dated August 11, 2023, between Grove Collaborative Holdings, Inc. and Volition Capital Fund IV, L.P. (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K, filed with the SEC on August 14, 2023).
5.1+	Agreement for the Payment of Benefits Following Termination of Employment dated as of August 16, 2023, by and between Grove Collaborative Holdings, Inc. and Jeff Yurcisin (incorporated by reference to Exhibit 5.1 of the Company's Form 10-Q filed with the SEC on November 9, 2023)
5.2+	Employee Inducement Performance Based Restricted Stock Unit Award Notice dated as of August 16, 2023, by and between Grove Collaborative Holdings, Inc and Jeff Yurcisin (incorporated by reference to Exhibit 5.2 of the Company's Form 10-Q filed with the SEC on November 9, 2023)
5.3+	Employee Inducement Restricted Stock Unit Award Notice dated as of August 16, 2023, by and between Grove Collaborative Holdings, Inc and Jeff Yurcisin (incorporated by reference to Exhibit 5. 3 of the Company's Form 10-Q filed with the SEC on November 9, 2023)
5.4+	Letter of Transition by and between Grove Collaborative Holdings, Inc. and Stuart Landesberg (incorporated by reference to Exhibit 5. 4 of the Company's Form 10-Q filed with the SEC on November 9, 2023)
10.1	Form of Subscription Agreement (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on December 8, 2021).
10.2	Subscription Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on April 4, 2022).
10.3	Amended and Restated Registration Rights Agreement, dated as of June 16, 2022, among the Company, Virgin Group Acquisition Sponsor II, LLC, and certain other parties (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.4	Form of Sponsor Agreement (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on December 8, 2021).
10.5	Sponsor Agreement Amendment (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on April 4, 2022).
10.6	Form of Support Agreement (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on December 8, 2021).
10.7	Support Agreement Amendment (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on April 4, 2022).
10.8+	Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan and forms of agreement thereunder (incorporated by reference to Annex I to the Registration Statement on Form S-4/A (File No. 001-40263), filed with the SEC on May 13, 2022).
10.9+	Grove Collaborative Holdings, Inc. Employee Stock Purchase Plan (incorporated by reference to Annex J to the Registration Statement on Form S-4/A (File No. 001-40263), filed with the SEC on May 13, 2022).

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Exhibit Number	Description
10.10+	Form of Indemnity Agreement by and between the Company and its directors and officers (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-4/A (File No. 001-40263), filed with the SEC on May 13, 2022).
10.11+	Grove Collaborative, Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.18 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.12+	Form of Stock Option Grant Notice and Option Agreement under the Grove Collaborative, Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.13+	Restricted Stock Unit Agreement under the Grove Collaborative, Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.20 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.14+	Form of Restricted Stock Unit Grant Notice under the Grove Collaborative, Inc. 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.15	Mezzanine Loan and Security Agreement, dated as of April 30, 2021, among Silicon Valley Bank, a California corporation, in its capacity as administrative agent and collateral agent, Silicon Valley Bank, a California corporation, as a lender, Hercules Capital, Inc., a Maryland corporation, as a lender, and Grove Collaborative, Inc., a Delaware public benefit corporation, as Borrower (incorporated by reference to Exhibit 10.11 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.16	First Amendment to Mezzanine Loan and Security Agreement, dated as of May 9, 2022, among Silicon Valley Bank, a California corporation, in its capacity as administrative agent and collateral agent, Silicon Valley Bank, a California corporation, as a lender, Hercules Capital, Inc., a Maryland corporation, as a lender, and Grove Collaborative, Inc., a Delaware public benefit corporation, as Borrower (incorporated by reference to Exhibit 10.12 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.17	Second Amendment to Mezzanine Loan and Security Agreement, dated as of June 16, 2022, among Silicon Valley Bank, a California corporation, in its capacity as administrative agent and collateral agent, Silicon Valley Bank, a California corporation, as a lender, Hercules Capital, Inc., a Maryland corporation, as a lender, and Grove Collaborative, Inc., a Delaware public benefit corporation, formerly known as Treehouse Merger Sub II, LLC, as Borrower (incorporated by reference to Exhibit 10.13 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.18	Second Amended and Restated Loan and Security Agreement, dated as of July 29, 2020, between Silicon Valley Bank, a California corporation and Grove Collaborative, Inc. a Delaware corporation (incorporated by reference to Exhibit 10.14 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.19	First Amendment to Second Amended and Restated Loan and Security Agreement, dated as of April 30, 2021, between Silicon Valley Bank, a California corporation and Grove Collaborative, Inc. a Delaware public benefit corporation (incorporated by reference to Exhibit 10.15 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.20	Second Amendment to Second Amended and Restated Loan and Security Agreement, dated as of May 9, 2022, between Silicon Valley Bank, a California corporation and Grove Collaborative, Inc. a Delaware public benefit corporation (incorporated by reference to Exhibit 10.16 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.21	Third Amendment to Second Amended and Restated Loan and Security Agreement, dated as of June 16, 2022, between Silicon Valley Bank, a California corporation and Grove Collaborative, Inc. a Delaware public benefit corporation, formerly known as Treehouse Merger Sub II, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.17 of the Company's Form 8-K (File No. 001-40263), filed with the SEC on June 23, 2022).
10.22	Standby Equity Purchase Agreement, dated as of July 18, 2022, between Grove Collaborative Holdings, Inc. and YA II PN, Ltd. (incorporated by reference to Exhibit 10.22 of the Company's Form S-1 (File No. 333-266197), filed with the SEC on July 18, 2022).
10.23+	Form of Restricted Stock Unit Award Notice and Restricted Stock Unit Agreement (Executive Version) under the Grove Collaborative Holdings, Inc. 2022 Incentive Equity Plan (incorporated by reference to Exhibit 10.23 of the Company's Form 10-Q, filed with the SEC on August 12, 2022).
10.24+	Form of Stock Option Grant Notice and Option Agreement (Executive Version) under the Grove Collaborative Holdings, Inc. 2022 Incentive Equity Plan (incorporated by reference to Exhibit 10.24 of the Company's Form 10-Q, filed with the SEC on August 12, 2022).

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Exhibit Number	Description
10.25+	Form of Vested Option New Restricted Stock Unit Award Notice under Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (incorporated by reference to Exhibit (a)(1)(L) of the Company's Tender Offer Statement Under Section 14(d)(1) or 13(e)(1), filed with the SEC on September 26, 2022).
10.26+	Form of Unvested Option New Restricted Stock Unit Award Notice under Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (incorporated by reference to Exhibit (a)(1)(M) of the Company's Tender Offer Statement Under Section 14(d)(1) or 13(e)(1), filed with the SEC on September 26, 2022).
10.27†	Subscription Agreement, dated November 10, 2022, between Grove Collaborative Holdings, Inc. and HCI Grove LLC (incorporated by reference to Exhibit 10.27 of the Company's Form 10-Q, filed with the SEC on November 10, 2022).
10.28†	Consulting Agreement, dated November 10, 2022, between Grove Collaborative Holdings, Inc. and HCI Grove Management LLC (incorporated by reference to Exhibit 10.28 of the Company's Form 10-Q, filed with the SEC on November 10, 2022).
10.29†	Loan and Security Agreement, dated as of December 21, 2022, by and among Grove Collaborative Holdings, Inc., Grove Collaborative, Inc., Ocean II PLO LLC and the lending institutions party thereto (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K, filed with the SEC on December 27, 2022).
10.30†	Security Issuance Agreement, dated as of December 21, 2022, by and among Grove Collaborative Holdings, Inc., Structural Capital Investments III, LP, Structural Capital Holding III, LP, Structural Capital Investments IV, LP, Structural Capital Holding IV, LP and Series PCI Grove, a series of Structural Capital Primary Co-Investment Fund, LLC (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K, filed with the SEC on December 27, 2022).
10.31†	Security Issuance Agreement, dated as of December 21, 2022, by and between Grove Collaborative Holdings, Inc. and Avenue Sustainable Solutions Fund, L.P. (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K, filed with the SEC on December 27, 2022).
10.32+	Form of Performance Cash Award Notice and Performance Cash Award Agreement under the Grove Collaborative Holdings, Inc. 2022 Incentive Equity Plan (incorporated by reference to Exhibit 10.32 of the Company's Form 10-Q, filed with the SE C on May 11, 2023)
10.33†	Loan and Security Agreement, dated as of March 10, 2023, by and among Grove Collaborative Holdings, Inc., Grove Collaborative, Inc., each of their subsidiaries signatory thereto from time to time as guarantors, and Siena Lending Group LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 001-40263) filed with the SEC on March 14, 2023).
10.34††	Amendment No. 1 to Loan and Security Agreement, dated as of March 10, 2023, by and among Grove Collaborative Holdings, Inc., Grove Collaborative, Inc., Ocean II PLO LLC and the lending institutions party thereto (incorporated by reference to Exhibit 10.34 o f the Company 's Form 10-Q filed with the SEC on May 11, 2023)
10.35*+	Form of Performance Based Restricted Stock Unit Award Notice under Grove Collaborative Holdings, Inc 2022 Equity and Incentive Plan
21.1	Subsidiaries of Registrant (incorporated by reference to Exhibit 21 of the Company's Form 10-K filed on March 16, 2023)
23.1*	Consent of Independent Registered Public Accounting Firm
31.1*	Certification of Principal Executive Officer 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.
31.2*	Certification of Principal Financial Officer 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.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Grove Collaborative Holdings, Inc. Compensation Clawback Policy
101.INS*	Inline Instance Document.
101.SCH	Inline Taxonomy Extension Schema Document.
101.CAL*	Inline Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline Taxonomy Extension Definition Linkbase Document.

Exhibit Number	Description
101.LAB*	Inline Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

\+ Indicates management contract or compensatory plan or arrangement.

† Schedules and exhibits to this Exhibit omitted pursuant to Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any omitted schedule of exhibit to the SEC upon request.

†† The Registrant has redacted provisions or terms of this Exhibit pursuant to Regulation S-K Item 601(b)(10)(iv). The Registrant agrees to furnish an unredacted copy of the Exhibit to the SEC upon its request.

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 20, 2024	**GROVE COLLABORATIVE HOLDINGS, INC.**	
	By:	/s/ Jeff Yurcisin
	Name:	Jeff Yurcisin
	Title:	Chief Executive Officer and Director (Principal Executive Officer)
	By:	/s/ Sergio Cervantes
	Name:	Sergio Cervantes
	Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 20, 2024	By:	/s/ Rayhan Arif Rayhan Arif, Director
Date: March 20, 2024	By:	/s/ Larry Cheng Larry Cheng, Director
Date: March 20, 2024	By:	/s/ Christopher Clark Christopher Clark, Director
Date: March 20, 2024	By:	/s/ Kevin Cleary Kevin Cleary, Director
Date: March 20, 2024	By:	/s/ David Glazer David Glazer, Director
Date: March 20, 2024	By:	/s/ Stu Landesberg Stu Landesberg, Director
Date: March 20, 2024	By:	/s/ Kristine Miller Kristine Miller, Director
Date: March 20, 2024	By:	/s/ John Replogle John Replogle, Director
Date: March 20, 2024	By:	/s/ Naytri Shroff Sramek Naytri Shroff Sramek, Director

Exhibit 4.14

**DESCRIPTION OF REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

The following description summarizes certain important terms of the securities of Grove Collaborative Holdings, Inc., formerly Virgin Group Acquisition Corp. II ("we," "us," "our," the "Company" or "Grove") as of March 20, 2024. Because the following description is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this document, you should refer to our Certificate of Incorporation (the "Charter"), our Bylaws (the "Bylaws"), the Certificate of Designation of Series A Convertible Preferred Stock (the "Certificate of Designation"), the Warrant Agreement, dated March 22, 2021, between us and Continental Stock Transfer & Trust Company ("Continental") as warrant agent (the "Warrant Agreement"), Warrant Agreement, dated June 16, 2022, between Grove and Corvina Holdings Limited (the "Backstop Warrant Agreement" and such warrants issued thereunder, the "Backstop Warrants"), the Warrant Agreement between us and HCI Grove Management LLC (the "HGI Warrant Agreement" and such warrants issued thereunder, the "HGI Warrants"), the Subscription Agreement, dated August 11, 2023, by and between the Company and Volition Capital Fund IV, L.P. (the "Subscription Agreement"), the Warrants to Purchase Common Stock issued to Volition Capital Fund IV, L.P., each dated August 11, 2023 ("the Volition Warrants"), and the Amended and Restated Agreement and Plan of Merger, dated March 31, 2022 (the "Business Combination Agreement", and the transactions contemplated thereby, the "Business Combination"), by and among us and Grove Collaborative, Inc., which are included as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report"), of which this Exhibit forms a part, and to the applicable provisions of the Delaware General Corporation Law (the "DGCL").

As of March 20, 2024, we have two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): our Class A common stock (the "Class A Common Stock") and our public warrants (the "Public Warrants") .

Authorized Capitalization

Our authorized capital stock consists of 600,000,000 shares of Class A Common Stock, 200,000,000 shares of our Class B common stock (the "Class B Common Stock") and 100,000,000 shares of preferred stock (the "Preferred Stock"). Unless the our Board of Directors (the "Board") determines otherwise, we will issue all shares of capital stock in uncertificated form.

The following summary describes all material provisions of Grove's capital stock. We urge you to read the Charter and Bylaws.

Common Stock

Class A Common Stock

Voting rights. Each holder of Class A Common Stock is entitled to one (1) vote for each share of Class A Common Stock held of record by such holder on all matters voted upon by our stockholders, provided, however, that, except as otherwise required in the Charter, as provided by law or by the resolution(s) or any certificate of designation providing for the issue of any Preferred Stock, the holders of Class A Common Stock is not entitled to vote on any amendment to the Charter that relates solely to the 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 to the Charter (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

Dividend rights. Subject to the DGCL and the rights of holders of Preferred Stock, holders of shares of Class A Common Stock and Class B Common Stock are entitled to receive ratably, on a per share basis, dividends and other distributions in cash, capital stock, or property of Grove as may be declared and paid from time to time by the Board out of any of Grove's assets or funds legally available therefor; provided, that in the event a dividend is paid in the form of shares of Class A Common Stock or Class B Common Stock (or rights to acquire such shares), then the holders of Class A Common Stock will receive shares of Class A Common Stock (or rights to acquire such shares, as the case may be) and the holders of Class B Common Stock will receive shares of Class B Common Stock (or rights to acquire such shares, as the case may be), with the holders of shares of Class A Common Stock and Class B Common Stock receiving, on a per share basis, the same number of shares of Class A Common Stock or Class B Common Stock, as applicable.

Rights upon liquidation. Subject to the DGCL and the rights of holders of Preferred Stock, holders of shares of Class A Common Stock and Class B Common Stock, after payment or provision for payment of the debts and other liabilities of Grove, are entitled to receive all of the assets and funds of Grove available for distribution in the event of any liquidation, dissolution, or winding up of Grove, whether voluntary or involuntary, ratably in proportion to the number of shares of the Class A Common Stock held by them.

Other rights. No holder of shares of Class A Common Stock are entitled to preemptive or subscription rights contained in the Charter or Bylaws. There are no redemption or sinking fund provisions applicable to the Class A Common Stock. The rights, preferences and privileges of holders of the Class A Common Stock will be subject to those of the holders of any shares of the Preferred Stock that Grove may issue in the future.

Class B Common Stock

Voting rights. Each holder of Class B Common Stock are entitled to ten (10) votes for each share of Class B Common Stock held of record by such holder on all matters voted upon by Grove's stockholders, provided, however, that, except as otherwise required in the Charter, as provided by law or by the resolution(s) or any certificate of designation providing for the issue of any Preferred Stock, the holders of Class B Common Stock are not entitled to vote on any amendment to the Charter that relates solely to the 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 to the Charter (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

Dividend rights. Subject to the DGCL and the rights of holders of Preferred Stock, holders of shares of Class A Common Stock and Class B Common Stock are entitled to receive ratably, on a per share basis, dividends and other distributions in cash, stock, or property of Grove as may be declared and paid from time to time by the Board out of any of Grove's assets or funds legally available therefor; provided that in the event a dividend is paid in the form of shares of Class A Common Stock or Class B Common Stock (or rights to acquire such shares), then the holders of Class A Common Stock will receive shares of Class A Common Stock (or rights to acquire such shares, as the case may be) and the holders of Class B Common Stock will receive shares of Class B Common Stock (or rights to acquire such shares, as the case may be), with the holders of shares of Class A Common Stock and Class B Common Stock receiving, on a per share basis, the same number of shares of Class A Common Stock or Class B Common Stock, as applicable.

Rights upon liquidation. Subject to the DGCL and the rights of holders of Preferred Stock, holders of shares of Class A Common Stock and Class B Common Stock, after payment or provision for payment of the debts and other liabilities of Grove, are entitled to receive all of the assets and funds of Grove available for distribution in the event of any liquidation, dissolution, or winding up of Grove, whether voluntary or involuntary, ratably in proportion to the number of shares of the Grove Class B Common Stock held by them.

Transfers. Pursuant to the Charter, holders of Class B Common Stock are generally restricted from transferring such shares, other than to another Class B Common Stockholder or a Permitted Entity (as defined in the Charter).

Mandatory Conversion. Each share of Class B Common Stock will be automatically converted into an equal number of fully paid and nonassessable shares of Class A Common Stock upon any Transfer (as defined in the Charter) of such shares of Class B Common Stock, except for a Transfer to a Permitted Entity (as defined in the Charter). Holders of Class B Common Stock may also elect to convert into an equal number of fully paid and nonassessable shares of Class A Common Stock at their option.

Other rights. No holder of shares of Class B Common Stock are entitled to preemptive or subscription rights contained in the Charter or Bylaws. There are no redemption or sinking fund provisions applicable to the Class B Common Stock. The rights, preferences, and privileges of holders of the Class B Common Stock will be subject to those of the holders of any shares of the Preferred Stock that Grove may issue in the future.

Preferred Stock

The Board has the authority to issue shares of Preferred Stock from time to time on terms it may determine, to divide shares of Preferred Stock into one or more series, and to fix the designations, preferences, privileges, and restrictions of Preferred Stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms, and the number of shares constituting any series or the designation of any series to the fullest extent permitted by the DGCL. The issuance of Preferred Stock could have the effect of decreasing the trading price of Class A Common Stock, restricting dividends on the capital stock of Grove, diluting the voting power of the Class A Common Stock, impairing the liquidation rights of the capital stock of Grove, or delaying or preventing a change in control of Grove. The Certificate of Designation fixes the powers, designations, preferences, and other rights of the Series A Convertible Preferred Stock.

Series A Convertible Preferred Stock

Ranking and Dividends. The Series A Convertible Preferred Stock ranks superior to all of the Class A Common Stock, Class B Common Stock, and any other capital stock of the Company. The Series A Convertible Preferred Stock has a liquidation preference of $1,000.00 per share (the “Liquidation Preference”). The holders of then outstanding shares of Series A Convertible Preferred Stock shall be entitled to receive, only when, as and if declared by the Board, out of any funds and assets legally available therefor, dividends at the rate of 6% per annum of the Liquidation Preference for each share of Series A Convertible Preferred Stock, prior and in preference to any declaration or payment of any other dividend (other than dividends on shares of Class A Common Stock payable in shares of Class A Common Stock).

Conversion and Redemption. Each share of Series A Convertible Preferred Stock is convertible, at the option of the holder thereof, at any time, at the office of the Company or any transfer agent for such stock, into such number of fully paid and nonassessable shares of Class A Common Stock equal to the sum of (i) the amount determined by dividing (x) the Liquidation Price plus any declared but unpaid dividends to which such share of Series A Convertible Preferred Stock is then entitled by (y) the then-effective Conversion Preference in effect on the date the certificate is surrendered for conversion or notice is provided for non-certificated shares and (ii) the Subsequent Issuance Share Adjustment (collectively, the “Conversion Amount”). The “Conversion Price” for shares of Series A Convertible Preferred Stock is $2.11 (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like) per share (the “Conversion Rate”). The “Subsequent Issuance Share Adjustment” for shares of Series A Convertible Preferred Stock shall initially be equal to zero and shall be adjusted as set forth in Section 6(i) of the Certificate of Designation.

Cash will be paid in lieu of any fractional shares based on the closing market price of the Class A Common Stock on the conversion date. The Conversion Rate is subject to adjustment for customary anti-dilution protections, including for stock dividends, splits, and combinations, rights offerings, spin-offs, distributions of cash or other property (to the extent not participating on an as-converted basis) and above market self-tender or exchange offers. At any time from and after August 11, 2030, the holders of at least a majority of the then-outstanding shares of Series A Convertible Preferred Stock may specify a date and time or the occurrence of an event by vote or written consent that all, and not less than all, outstanding shares of Series A Convertible Preferred Stock will automatically be, subject to certain exceptions and limitations, redeemed for an amount per share of Series A Convertible Preferred Stock equal to the Liquidation Preference plus all accrued or declared but unpaid dividends as of the redemption date and time.

Subject to certain exceptions, upon the occurrence of a fundamental change, voluntary or involuntary liquidation, dissolution or winding-up of the Company, the Company will be required to pay an amount per share of Series A Convertible Preferred Stock equal to the greater of (i) $1,000.00 per share or (ii) the consideration per share of Series A Convertible Preferred Stock as would have been payable had all shares of Series A Convertible Preferred Stock been converted to Class A Common Stock immediately prior to the liquidation event, plus, in each case, the aggregate amount of all declared but unpaid dividends thereon to the date of final distribution to the holders of Series A Convertible Preferred Stock.

Voting and Consent Rights. Holders of shares of Series A Convertible Preferred Stock are entitled to vote with the holders of shares of Class A Common Stock on an as-converted to common basis at any annual or special meeting of stockholders of the Company, and not as a separate class, except as required by Delaware law. Additionally, for so long as 50% of the shares of Series A Convertible Preferred Stock remain outstanding, the Company will be prohibited, without the consent of the holders of at least a majority of the shares of Series A Convertible Preferred Stock, from taking various corporate actions, including:

- amend, modify or alter (A) the Certificate of Designation or (B) the Company’s certificate of incorporation (including by filing any new certificate of designation or elimination) or the Bylaws of the Company, in each case with respect to this clause (B) in a manner that adversely affects the rights, preference or privileges of the Series A Convertible Preferred Stock;

- increase or decrease the authorized number of shares of Series A Convertible Preferred Stock or issue additional shares of Series A Convertible Preferred Stock;
- authorize, create, issue or obligate itself to issue (by reclassification, merger or otherwise) any capital stock (or any class or series thereof) that has any rights, preferences or privileges senior to, or on a parity with, the Series A Convertible Preferred Stock (a "New Security") unless the holders of Series A Convertible Preferred Stock are offered the opportunity to participate in the offering of the New Security pursuant to Section 9.2 of the Subscription Agreement; or
- authorize, create, issue or obligate itself to issue, assume, incur or guarantee any indebtedness, that is not included in the Company's budget approved by the Board or otherwise approved by the Board other than (1) the issuance of up to an aggregate of $2,500,000 of indebtedness or (2) trade payables incurred in the ordinary course of business.

Beneficial Ownership and Voting Limitations. The Certificate of Designation includes certain provisions that prevent holders from converting shares Series A Convertible Preferred Stock or voting shares of Series A Convertible Preferred Stock on an as-converted-to-Class A Common Stock basis, as applicable, to the extent such action would result in such holder beneficially owning or voting in excess of 19.99% of the Company's outstanding Class A Common Stock.

Board. For so long as Volition Capital Fund IV, L.P. beneficially holds 20% or more of the shares of Class A Common Stock (calculated on as-converted basis based on the Conversion Price (as adjusted for stock splits, combinations, stock dividends, recapitalizations and the like)) such purchaser acquired pursuant to the Subscription Agreement, such purchaser shall have the right to designate up to one director for election to the Board as a Class I Director.

Election of Directors and Vacancies

Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, the number of directors of the Board is fixed solely and exclusively by resolution duly adopted from time to time by the Board. Under the Bylaws, at all meetings of stockholders called for the election of directors, a plurality of the votes properly cast will be sufficient to elect such directors to the Board.

The Board is divided into three classes of directors designated as Class I, Class II, and Class III, respectively. Except as the DGCL may otherwise require and subject to the rights, if any, of the holders of any series of Preferred Stock, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships, and any vacancies on the Board, including unfilled vacancies resulting from the removal of directors, may be filled only by the affirmative vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director (and not by Grove stockholders). All directors hold office until the expiration of their respective terms of office and until their successors will have been elected and qualified. A director elected or appointed to fill a vacancy resulting from the death, resignation, retirement, disqualification, or removal of a director or a newly created directorship will serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until his or her successor will have been elected and qualified.

Subject to the rights, if any, of any series of Preferred Stock, any director may be removed from office only with cause and only by the affirmative vote of the holders of a majority of the then outstanding voting stock of Grove entitled to vote at an election of directors, voting together as a single class.

In addition to the powers and authorities before or by statute expressly conferred upon them, the directors are empowered to exercise all such powers and do all such acts and things as may be exercised or done by Grove, subject, nevertheless, to the provisions of the DGCL, the Charter, the Bylaws, and to any bylaw adopted and in effect from time to time; provided, however, that no bylaw so adopted will invalidate any prior act of the directors which would have been valid if such bylaw had not been adopted.

Notwithstanding the foregoing provisions, any director elected pursuant to the right, if any, of the holders of Preferred Stock to elect additional directors under specified circumstances will serve for such term or terms and pursuant to such other provisions as specified in the relevant certificate of designations related to the Preferred Stock.

Quorum

The holders of a majority of the voting power of the capital stock issued and outstanding and entitled to vote at the meeting, present in person, or represented by proxy, constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise required by law or provided by the Charter or Bylaws; provided, however, that where a separate vote by a class or classes or series of capital stock is required by law or the Charter, the holders of a majority in voting power of the shares of such class or classes or series of the capital stock of Grove issued and outstanding and entitled to vote on such matter, present in person, present by means of remote communication in a manner, if any, authorized by the Board in its sole discretion, or represented by proxy, constitutes a quorum entitled to take action with respect to the vote on such matter. If, however, such quorum will not be present or represented at any meeting of the stockholders, the chairperson of the meeting will have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum will be present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting will be given to each stockholder entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Anti-takeover Effects of the Charter and Bylaws

The Charter and Bylaws contain provisions that may delay, defer, or discourage another party from acquiring control of us. We expect that these provisions, which are summarized below, will discourage coercive takeover practices or inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of Grove to first negotiate with the Board. However, they also give the Board the power to discourage acquisitions that some stockholders may favor.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of NYSE, which would apply if and so long as the Class A Common Stock (or units or warrants) remains listed on NYSE, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of Class A Common Stock. Additional shares that may be issued in the future may be used for a variety of corporate purposes, including future public offerings, to raise additional capital, or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock may be to enable the Board to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of Grove by means of a merger, tender offer, proxy contest, or otherwise and thereby protect the continuity of management and possibly deprive stockholders of opportunities to sell their shares of Class A Common Stock at prices higher than prevailing market prices.

Dual-Class Stock

As described above in "*Common Stock Class A Common Stock Voting Rights*" and "*Common Stock Class B Common Stock Voting Rights* ," the Charter provides for a dual-class common stock structure.

Special Meeting, Action by Written Consent, and Advance Notice Requirements for Stockholder Proposals

Unless otherwise required by law, and subject to the rights, if any, of the holders of any series of Preferred Stock, special meetings of the stockholders of Grove, for any purpose or purposes, may be called only by a majority of the Board, the Chairman of the Board, the Chief Executive Officer of Grove or when requested in writing by the holders of not less than 20% of all votes entitled to be cast at the meeting, and may not be called by any other person. Unless otherwise required by law, written notice of a special meeting of stockholders, stating the time, place, and purpose or purposes thereof, shall be given to each stockholder entitled to vote at such meeting, not less than ten or more than sixty (60) days before the date fixed for the meeting. Business transacted at any special meeting of stockholders will be limited to the purposes stated in the notice.

The Bylaws also provide that unless otherwise restricted by the Charter or the Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or of such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or committee.

In addition, the Bylaws require advance notice procedures for stockholder proposals to be brought before an annual meeting of the stockholders, including the nomination of directors. Stockholders at an annual meeting may only consider the proposals specified in the notice of meeting or brought before the meeting by or at the direction of the Board, or by a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has delivered a timely written notice in proper form to Grove's secretary, of the stockholder's intention to bring such business before the meeting.

These provisions could have the effect of delaying until the next stockholder meeting any stockholder actions, even if they are favored by the holders of a majority of Grove's outstanding voting securities.

Amendment to Charter and Bylaws

The DGCL provides generally that the affirmative vote of a majority of the outstanding stock entitled to vote on amendments to a corporation's certificate of incorporation or bylaws is required to approve such amendment, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage.

The Charter provides that all provisions therein may be altered, amended, or repealed only by the affirmative vote of the holders of at least two-thirds (66.7%) in voting power of the outstanding shares of capital stock of Grove entitled to vote generally in the election of directors, voting together as a single class. Additionally, the Charter provides that the authorized number of shares of any class of stock may not be increased or decreased (but not below the number of shares thereof then-outstanding) by the affirmative vote of a majority of the voting power of the stock entitled to vote thereon irrespective of the provisions of Section 242(b)(2) of the DGCL.

The Bylaws may be amended, altered, or repealed (A) by the affirmative vote of a majority of the Board or (B) in addition to any vote of the holders of any class or series of capital stock of Grove required by law or the Charter, the affirmative vote of the holders of at least two-thirds (66.7%) of the voting power of all then-outstanding shares of capital stock of Grove entitled to vote generally in the election of directors, voting together as a single class.

Section 203 of the DGCL provides that if a person acquires 15% or more of the voting stock of a Delaware corporation, such person becomes an "interested stockholder" and may not engage in certain "business combinations" with the corporation for a period of three years from the time such person acquired 15% or more of the corporation's voting stock, unless:

(1) the Board approves the acquisition of stock or the merger transaction before the time that the person becomes an interested stockholder;

(2) the interested stockholder owns at least 85% of the outstanding voting stock of the corporation at the time the merger transaction commences (excluding voting stock owned by directors who are also officers and certain employee stock plans); or

(3) the merger transaction is approved by the board of directors and at a meeting of stockholders, not by written consent, by the affirmative vote of 2/3 of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may elect in its certificate of incorporation or bylaws not to be governed by this particular Delaware law.

Classified Board and Stockholder Action by Written Consent

The Charter provides that the Board will be classified into three classes of directors, each of which will hold office for a three-year term. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of Grove at a time when there is a classified board as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors.

Under the Charter, Grove stockholders will be required to take action at an annual or special meeting of Grove stockholders. This provision may have the effect of delaying or preventing hostile stockholder action designed to effect a change in control of Grove.

Limitations on Liability and Indemnification of Officers and Directors

The Charter limits the liability of the directors of Grove to the fullest extent permitted by the DGCL, and the Bylaws provide that Grove will indemnify them to the fullest extent permitted by such law. Grove has entered and expects to continue to enter into agreements to indemnify Grove directors, executive officers, and other employees as determined by the Board. Under the terms of such indemnification agreements, Grove is required to indemnify each of Grove directors, officers, and other employees party to such an agreement, to the fullest extent permitted by the laws of the State of Delaware, if the basis of the indemnitee's involvement was by reason of the fact that the indemnitee is or was a director, officer, employee, or agent of Grove or any of its subsidiaries or was serving at Grove's request in an official capacity for another entity. Grove must indemnify Grove's officers and directors against all reasonable fees, expenses, charges, judgments, fines, amounts paid in settlement, and other costs of any type or nature whatsoever, including any and all expenses and obligations paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing to defend, be a witness or participate in any completed, actual, pending, or threatened action, suit, claim, or proceeding, whether civil, criminal, administrative, or investigative, or establishing or enforcing a right to indemnification under the indemnification agreement. The indemnification agreements also require us, if so requested, to advance within 20 days (or 10 days in any action brought by the indemnitee for indemnification under the indemnification agreement) of such request all reasonable fees, expenses, charges, and other costs that such director, officer or other employee party to such an agreement incurred, provided that such person will return any such advance if it is ultimately determined that such person is not entitled to indemnification by us. Any claims for indemnification by Grove directors, officers, or other employees may reduce Grove's available funds to satisfy successful third-party claims against Grove and may reduce the amount of money available to Grove.

Exclusive Jurisdiction of Certain Actions

The Charter requires, to the fullest extent permitted by law, unless Grove consents in writing to the selection of an alternative forum, that derivative actions brought in the name of Grove, actions against current or former directors, officers, employees, and agents for breach of fiduciary duty, actions asserting a claim arising pursuant to any provision of the DGCL or the Charter or the Bylaws and actions asserting a claim against Grove governed by the internal affairs doctrine may be brought only in the Court of Chancery in the State of Delaware and any stockholder will be deemed to have consented to such provision. The provision may have the effect of discouraging lawsuits against Grove directors and officers.

The exclusive forum provision in the Charter would not apply to claims brought under the Exchange Act or the Securities Act. To the extent the exclusive forum provision restricts the venue in which holders of Grove common stock may bring claims arising under the federal securities laws, there is uncertainty as to whether a court would enforce such provisions. The exclusive forum provision in the Charter shall not relieve Grove of its duties to comply with the federal securities laws and the rules and regulations thereunder, and Grove's stockholders will not be deemed to have waived our compliance with these laws, rules and regulations.

In addition, the Charter requires that, unless Grove consents in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for resolving any action asserting a claim arising under the Securities Act.

Public Benefit Corporation

Grove is a public benefit corporation under subchapter XV of the DGCL. As a public benefit corporation, Grove adopted the following public benefits to be promoted by the corporation (the "**PBC Purpose**"):

The specific public benefits to be promoted by Grove are the development, promotion and distribution of consumer products as a positive force for human and environmental health globally.

As a public benefit corporation, the Board will be required by the DGCL to manage or direct Grove's business and affairs in a manner that balances the pecuniary interests of Grove stockholders, the best interests of those materially affected by its conduct, and the specific public benefits identified in the Charter. However, the Board will not have any duty to any person on account of any interest of such person in the PBC Purpose or on account of any interest materially affected by Grove's conduct, and its balance requirement described in the previous sentence will be deemed satisfied if the Board's decision is both informed and disinterested and not such that no person of ordinary sound judgment would approve. Grove will also be required to assess its benefit performance internally and to disclose to stockholders at least biennially a report that details its promotion of the public benefits identified in the Charter and of the best interests of those materially affected by its conduct. It is expected that the Board will measure Grove's benefit performance against the objectives and standards proposed by it and approved by the Board.

Warrants

Public Warrants

Five Grove Public Warrant entitles the registered holder to purchase one (1) share of Grove at a price of $57.50 per share, subject to adjustment as discussed below, at any time commencing on the later of one year from the closing of the initial public offering and 30 days after the completion of an initial business combination, provided in each case that Grove has an effective registration statement under the Securities Act covering the Class A Common Stock issuable upon exercise of the warrants and a current prospectus relating to them is available (or Grove permits holders to exercise their warrants on a cashless basis under the circumstances specified in the warrant agreement) and such shares are registered, qualified, or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder. Pursuant to the warrant agreement, a warrantholder may exercise its warrants only for a whole number of shares of Class A Common Stock. This means only a whole warrant may be exercised at a given time by a warrantholder. The warrants expire five years after the completion of the Business Combination, at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

Grove will not be obligated to deliver any shares of Class A Common Stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the Class A Common Stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to Grove satisfying its obligations described below with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and Grove will not be obligated to issue a share of Class A Common Stock upon exercise of a warrant unless the share of Class A Common Stock issuable upon such warrant exercise has been registered, qualified, or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will Grove be required to net cash settle any warrant. In the event that a registration statement is not effective for the exercised warrants, the purchaser of a unit containing such warrant will have paid the full purchase price for the unit solely for the share of Class A Common Stock underlying such unit.

If shares of Class A Common Stock are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, Grove may, at Grove’s option, require holders of Grove public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event Grove so elects, Grove will not be required to file or maintain in effect a registration statement, and in the event Grove does not so elect, Grove will use its commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In such event, each holder would pay the exercise price by surrendering each such warrant for that number of Class A Common Stock shares equal to the less of (A) the quotient obtained by dividing (x) the product of the number of Class A Common Stock underlying the warrants, multiplied the excess of the “fair market value” less the exercise price of the warrants by (y) the fair market value and (B) 0.072. The “fair market value” shall mean the volume weighted average price of the Class A Common Stock shares for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the warrant agent.

Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $$90.00

Once the warrants become exercisable, Grove may redeem the outstanding warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption to each warrantholder; and
- if, and only if, the last reported sale price of the Class A Common Stock for any 20 trading days within a 30-trading-day period ending three business days before Grove sends the notice of redemption to the warrantholders (which is referred to as the “Reference Value”) equals or exceeds $90.00 per share (as adjusted for share splits, share capitalizations, reorganizations, recapitalizations, and the like).

If and when the warrants become redeemable by Grove, Grove may exercise its redemption right even if Grove is unable to register or qualify the underlying securities for sale under all applicable state securities laws. However, Grove will not redeem the warrants unless an effective registration statement under the Securities Act covering the Class A Common Stock issuable upon exercise of the warrants is effective and a current prospectus relating to those Class A Common Stock is available throughout the 30-day redemption period.

Grove has established the last of the redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and Grove issues a notice of redemption of the warrants, each warrantholder will be entitled to exercise his, her, or its warrant prior to the scheduled redemption date. However, the price of the shares of Class A Common Stock may fall below the $90.00 redemption trigger price (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations, and the like) as well as the $57.50 (for whole shares) warrant exercise price after the redemption notice is issued.

Redemption of Warrants for Class A Common Stock Equals or Exceeds $50.00

Commencing ninety (90) days after the warrants become exercisable, Grove may redeem the outstanding warrants:

- in whole and not in part;
- at $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the "fair market value" of Class A Common Stock (as defined below);
- if, and only if, the Reference Value (as defined above under " Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $90.00") equals or exceeds $50.00 per share (as adjusted per share sub-divisions, share dividends, reorganizations, reclassifications, recapitalizations, and the like); and
- if the Reference Value is less than $90.00 per share (as adjusted for share sub-divisions, share capitalizations, reorganizations, recapitalizations, and the like) the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

The numbers in the table below represent the number of shares of Class A Common Stock that a warrantholder will receive upon exercise in connection with a redemption by Grove pursuant to this redemption feature, based on the "fair market value" of the Class A Common Stock on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for $0.10 per warrant), determined based on the average of the volume-weighted average price for the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of warrants, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. Grove will provide its warrantholders with the final fair market value no later than one business day after the 10-trading-day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares of Class A Common Stock issuable upon exercise of a warrant or the exercise price of the warrant is adjusted as set forth under the heading "*—Anti-dilution Adjustments*" below. If the number of shares issuable upon exercise of a warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the exercise price of the warrant after such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. If the exercise price of the warrant is adjusted as a result of raising capital in connection with the initial business combination, the adjusted share prices in the column headings will be multiplied by a fraction, the numerator of which is the higher of the Market Value and the Newly Issued Price as set forth under the heading "*—Anti-dilution Adjustments"* and the denominator of which is $10.00.

Redemption Date (period to expiration of warrants)	Fair Market Value of Class A Common Stock								
	≥$50.00	$55.00	$60.00	$65.00	$70.00	$75.00	$80.00	$85.00	≥$90.00
60 months	0.052	0.056	0.059	0.062	0.065	0.075	0.070	0.072	0.072
57 months	0.051	0.055	0.059	0.062	0.065	0.067	0.070	0.072	0.072
54 months	0.050	0.054	0.058	0.061	0.064	0.067	0.069	0.071	0.072
51 months	0.049	0.054	0.057	0.061	0.064	0.067	0.069	0.071	0.072
48 months	0.048	0.053	0.057	0.060	0.063	0.066	0.069	0.071	0.072
45 months	0.047	0.052	0.056	0.060	0.063	0.066	0.069	0.071	0.072
42 months	0.046	0.050	0.055	0.059	0.062	0.066	0.068	0.071	0.072
39 months	0.044	0.049	0.054	0.058	0.062	0.065	0.068	0.071	0.072
36 months	0.043	0.048	0.053	0.057	0.061	0.065	0.068	0.071	0.072
33 months	0.041	0.046	0.051	0.056	0.060	0.064	0.067	0.070	0.072
30 months	0.039	0.045	0.050	0.055	0.059	0.063	0.067	0.070	0.072
27 months	0.037	0.043	0.048	0.054	0.058	0.063	0.066	0.070	0.072
24 months	0.035	0.041	0.047	0.052	0.057	0.062	0.066	0.070	0.072
21 months	0.032	0.039	0.045	0.050	0.056	0.061	0.065	0.069	0.072
18 months	0.029	0.036	0.042	0.048	0.054	0.060	0.064	0.069	0.072
15 months	0.026	0.033	0.039	0.046	0.052	0.058	0.063	0.068	0.072
12 months	0.022	0.029	0.036	0.043	0.050	0.056	0.062	0.068	0.072
9 months	0.018	0.025	0.032	0.040	0.047	0.054	0.061	0.067	0.072
6 months	0.013	0.020	0.027	0.036	0.044	0.052	0.059	0.066	0.072
3 months	0.007	0.013	0.021	0.030	0.039	0.049	0.057	0.065	0.072
0 months	-	-	0.008	0.023	0.036	0.047	0.056	0.065	0.072

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of shares of Class A Common Stock to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365- or 366-day year, as applicable. For example, if the volume-weighted average price of the shares of Class A Common Stock for the 10 trading days ending on the third trading date prior to the date on which the notice of redemption is sent to the holders of the warrants is $55.00 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.055 shares of Class A Common Stock for each whole warrant. For an example, where the exact fair market value and redemption date are not as set forth in the table above, if the volume-weighted average price of the shares of Class A Common Stock as reported during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is $67.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.060 shares of Class A Common Stock for each whole warrant. In no event will the warrants be exercisable in connection with this redemption feature for more than 0.072 shares of Class A Common Stock per warrant (subject to adjustment).

This redemption feature is structured to allow for all of the outstanding warrants to be redeemed when the shares of Class A Common Stock are trading at or above $50.00 per share, which may be at a time when the trading price of Class A Common Stock is below the exercise price of the warrants. Grove has established this redemption feature to provide Grove with the flexibility to redeem the warrants without the warrants having to reach the $90.00 per share threshold set forth above under "*—Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $90.00.*" Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their warrants based on an option pricing model with a fixed volatility input as of the date of this prospectus. This redemption right provides Grove with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to Grove's capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed. Grove will be required to pay the applicable redemption price to warrantholders if Grove chooses to exercise this redemption right and it will allow Grove to quickly proceed with a redemption of the warrants if Grove determines it is in Grove's best interest to do so. As such, Grove would redeem the warrants in this manner when it believes it is in Grove's best interest to update Grove's capital structure to remove the warrants and pay the redemption price to the warrantholders.

As stated above, Grove can redeem the warrants when the shares of Class A Common Stock are trading at a price starting at $50.00, which is below the exercise price of $57.50, because it will provide certainty with respect to Grove's capital structure and cash position while providing warrantholders with the opportunity to exercise their warrants on a cashless basis for the applicable number of shares. If Grove chooses to redeem the warrants when the shares of Class A Common Stock are trading at a price below the exercise price of the warrants, this could result in the warrantholders receiving fewer shares of Class A Common Stock than they would have received if they had chosen to wait to exercise their warrants for shares of Class A Common Stock if and when such shares were trading at a price higher than the exercise price of $57.50.

No fractional shares of Class A Common Stock will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, Grove will round down to the nearest whole number of the number of shares of Class A Common Stock to be issued to the holder. If, at the time of redemption, the warrants are exercisable for a security other than the shares of Class A Common Stock pursuant to the warrant agreement, the warrants may be exercised for such security. At such time as the warrants become exercisable for a security other than the shares of Class A Common Stock, Grove will use its commercially reasonable efforts to register under the Securities Act the security issuable upon the exercise of the warrants.

Redemption Procedures

A holder of a warrant may notify Grove in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 4.9% or 9.8% (as specified by the holder) of the shares of Class A Common Stock issued and outstanding immediately after giving effect to such exercise.

Anti-dilution Adjustments

If the number of outstanding shares of Class A Common Stock is increased by a share capitalization payable in shares of Class A Common Stock, or by a split-up of ordinary shares or other similar event, then, on the effective date of such share capitalization, split-up, or similar event, the number of shares of Class A Common Stock issuable on exercise of each warrant will be increased in proportion to such increase in the outstanding shares of common stock. A rights offering to holders of ordinary shares entitling holders to purchase shares of Class A Common Stock at a price less than the "historical fair market value" (as defined below) will be deemed a share capitalization of a number of shares of Class A Common Stock equal to the product of (i) the number of shares of Class A Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for shares of Class A Common Stock) and (ii) one minus the quotient of (x) the price per Class A Common Stock share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for Class A ordinary shares, in determining the price payable for shares of Class A Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) "historical fair market value" means the volume weighted average price of Class A Common Stock shares as reported during the 10-trading-day period ending on the trading day prior to the first date on which the shares of Class A Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to the holders of shares of Class A Common Stock on account of such shares (or other securities into which the warrants are convertible), other than (a) as described above, (b) certain ordinary cash dividends, (c) to satisfy the redemption rights of the holders of shares of Class A Common Stock in connection with a proposed initial business combination, or (d) in connection with the redemption of the public shares upon Grove's failure to complete a business combination, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each share of Class A Common Stock in respect of such event.

If the number of outstanding shares of Class A Common Stock is decreased by a consolidation, combination, reverse share split, or reclassification of shares of Class A Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse share split, reclassification, or similar event, the number of shares of Class A Common Stock issuable on exercise of each warrant will be decreased in proportion to such decrease in outstanding shares of Class A Common Stock.

Whenever the number of shares of Class A Common Stock purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of share of Class A Common Stock purchasable upon the exercise of the warrants immediately prior to such adjustment, and (y) the denominator of which will be the number of shares of Class A Common Stock so purchasable immediately thereafter.

In addition, if (x) Grove issue additional Class A Common Stock or equity-linked securities for capital raising purposes in connection with the closing of an initial business combination at an issue price or effective issue price of less than $46.00 per ordinary share (with such issue price or effective issue price to be determined in good faith by the Board and, in the case of any such issuance to Grove's initial shareholders or their affiliates, without taking into account any founder shares held by Grove's initial shareholders or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of an initial business combination, on the date of the completion of an initial business combination (net of redemptions) and (z) the volume-weighted average trading price of Class A ordinary shares during the 20-trading-day period starting on the trading day prior to the day on which Grove completes an initial business combination (such price, the "Market Value") is below $46.00 per share, then the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value and the Newly Issued Price, and the $50.00 and $90.00 per share redemption trigger prices described adjacent to "Redemption of warrants when the price per Class A Common Stock equals or exceeds $50.00" and "Redemption of warrants when the price per Class A Common Stock equals or exceeds $90.00" will be adjusted (to the nearest cent) to be equal to 100% and 180% of the higher of the Market Value and the Newly Issued Price, respectively.

In case of any reclassification or reorganization of the outstanding shares of Class A Common Stock (other than those described above or that solely affects the par value of such shares of Class A Common Stock), or in the case of any merger or consolidation of Grove with or into another corporation (other than a consolidation or merger in which Grove is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding shares of Class A Common Stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of Grove as an entirety or substantially as an entirety in connection with which Grove is dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the shares of Class A Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of Class A Common Stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger, or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. If less than 70% of the consideration receivable by the holders of shares of Class A Common Stock in such a transaction is payable in the form of shares of Class A Common Stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the warrant agreement based on the Black-Scholes value (as defined in the warrant agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants. The warrants will be issued in registered form under a warrant agreement between Continental, as warrant agent, and us. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 50% of the then-outstanding public warrants to make any change that adversely affects the interests of the registered holders. You should review a copy of the warrant agreement, which will be filed as an exhibit to the registration statement of which this prospectus is a part, for a complete description of the terms and conditions applicable to the warrants.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price (or on a cashless basis, if applicable), by certified or official bank check payable to us, for the number of warrants being exercised. The warrantholders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive Class A Common Stock. After the issuance of Class A Common Stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, Grove will, upon exercise, round down to the nearest whole number the number of shares of Class A Common Stock to be issued to the warrantholder.

Private Placement Warrants

The private placement warrants are not be redeemable by us, so long as they are held by the VG Acquisition Sponsor II LLC ("Sponsor"), members of the Sponsor, or their permitted transferees. Sponsor or its permitted transferees, have the option to exercise the private placement warrants on a cashless basis. Except as described below, the private placement warrants have terms and provisions that are identical to those of the Public Warrants. If the private placement warrants are held by holders other than the Sponsor or its permitted transferees, the private placement warrants will be redeemable by Grove and exercisable by the holders on the same basis as the warrants included in the units being sold.

Except as described under "*—Redemption of Warrants When the Price per Class A Common Stock Equals or Exceeds $50.00* ," if holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his, her or its warrants for that number of shares of Class A Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A Common Stock underlying the warrants, multiplied by the excess of the "historical fair market value" of the Class A Common Stock over the exercise price of the warrants by (y) the fair market value. For these purposes, the "historical fair market value" will mean the average reported closing price of the shares of Class A Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

Backstop Warrants

Each Backstop Warrant entitles the registered holder to purchase one share of Class A Common Stock at a price of $0.05 per share, subject to the adjustments and limitations as discussed below, at any time after the closing of the Business Combination through the earlier of (a) fifth anniversary of the of the Business Combination or (b) the consummation of certain mergers, combinations or other fundamental transactions, as described below. The warrants will be issued in registered book-entry or certificated form under the form of Backstop Warrant Agreement. Except as set forth herein and in the Backstop Warrant Agreement, the holders do not have the rights or privileges of holders of Grove Class A Shares or voting rights until they exercise their Backstop Warrants and receive shares of Class A Common Stock.

Anti-dilution Adjustments

If Grove (i) pays a dividend or makes any other distribution upon the Class A Common Stock without consideration, (ii) combines (by combination, reverse stock split or otherwise) its outstanding shares of Class A Common Stock into a smaller number of shares or (ii) reclassifies or subdivides (including by any stock split, stock dividend, recapitalization, substitutions, exchange or otherwise) its outstanding shares of Class A Common Stock into a greater or lesser number of shares, the number of shares of Class A Common Stock issuable on exercise of each Backstop Warrant and exercise price will be increased or decreased in proportion to such increase or decrease in outstanding shares of Class A Common Stock.

If (i) Grove effects any merger or consolidation of Grove with or into another person, in which Grove is not the surviving entity and in which the stockholders of Grove immediately prior to such merger or consolidation do not own, directly or indirectly, at least 50% of the voting power of the surviving entity immediately after such merger or consolidation, (ii) Grove effects any sale to another person of all or substantially all of its assets in one transaction or a series of related transactions, (iii) pursuant to any tender offer or exchange offer (whether by Grove or another person), holders of capital stock tender shares representing more than 50% of the voting power of the capital stock of Grove and Grove or such other person, as applicable, accepts such tender for payment, (iv) Grove consummates a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement but not including any underwritten offering, registered direct offering, private placement or other transaction with the primary purpose of financing or fund raising for Grove) with another person whereby such other person acquires more than the 50% of the voting power of the capital stock of Grove (except for any such transaction in which the stockholders of Grove immediately prior to such transaction maintain, in substantially the same proportions, the voting power of such person immediately after the transaction), or (v) Grove effects any reclassification of the Grove Common Stock or any compulsory share exchange pursuant to which the Grove common stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Grove common stock described above) then the holders shall have the right to receive, upon exercise of the Backstop Warrants, the same amount and kind of securities, cash or property as such holders would have been entitled to receive as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the Backstop Warrants without regard to any limitations on exercise contained herein.

The holders of the Backstop Warrants will be entitled to receive any dividends or distributions of assets that Grove makes to holders of shares of Class A Common Stock as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the Backstop Warrants. The holders of the Backstop Warrants will also be entitled to receive any shares of Grove capital stock or rights to purchase Grove capital stock or other property that Grove grants, issues or sells pro rata to the record holders of any class of Grove Common Stock as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the Backstop Warrants.

HGI Warrant

Each vested HGI Warrant entitles the registered holder to purchase one share of Class A Common Stock at a price of $6.30 per share, subject to the adjustments and limitations as discussed below, at any time through the earlier of (a) May 11, 2027 or (b) the date of the termination of the Consulting Services Agreement, dated as of November 10, 2022, by and between the Company and HCI Grove Management LLC (the “Consulting Agreement) by the Company in connection with Consultant’s (as defined in the Consulting Agreement) or its employee’s, officer’s, director’s or agent’s engagement in illegal conduct constituting a felony or gross misconduct in carrying out the terms of the Consulting Agreement. The warrants will be issued in registered book-entry or certificated form under the form of HGI Warrant Agreement. Except as set forth herein and in the HGI Warrant Agreement, the holders do not have the rights or privileges of holders of Class A Common Stock or voting rights until they exercise their HGI Warrants and receive shares of Class A Common Stock.

Anti-dilution Adjustments

If Grove (i) pays a dividend or makes any other distribution upon the Class A Common Stock without consideration, (ii) combines (by combination, reverse stock split or otherwise) its outstanding shares of Class A Common Stock into a smaller number of shares or (ii) reclassifies or subdivides (including by any stock split, stock dividend, recapitalization, substitutions, exchange or otherwise) its outstanding shares of Class A Common Stock into a greater or lesser number of shares, the number of shares of Class A Common Stock issuable on exercise of each HGI Warrant and exercise price will be increased or decreased in proportion to such increase or decrease in outstanding shares of Class A Common Stock.

If (i) Grove effects any merger or consolidation of Grove with or into another person, in which Grove is not the surviving entity and in which the stockholders of Grove immediately prior to such merger or consolidation do not own, directly or indirectly, at least 50% of the voting power of the surviving entity immediately after such merger or consolidation, (ii) Grove effects any sale to another person of all or substantially all of its assets in one transaction or a series of related transactions, (iii) pursuant to any tender offer or exchange offer (whether by Grove or another person), holders of capital stock tender shares representing more than 50% of the voting power of the capital stock of Grove and Grove or such other person, as applicable, accepts such tender for payment, (iv) Grove consummates a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement but not including any underwritten offering, registered direct offering, private placement or other transaction with the primary purpose of financing or fund raising for Grove) with another person whereby such other person acquires more than the 50% of the voting power of the capital stock of Grove (except for any such transaction in which the stockholders of Grove immediately prior to such transaction maintain, in substantially the same proportions, the voting power of such person immediately after the transaction), or (v) Grove effects any reclassification of the Grove common stock or any compulsory share exchange pursuant to which the Grove common stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Grove common stock described above) then the holders shall have the right to receive, upon exercise of the HGI Warrants, the same amount and kind of securities, cash or property as such holders would have been entitled to receive as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the HGI Warrants without regard to any limitations on exercise contained herein.

The holders of the HGI Warrants will be entitled to receive any dividends or distributions of assets that Grove makes to holders of shares of Class A Common Stock as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the HGI Warrants. The holders of the HGI Warrants will also be entitled to receive any shares of Grove capital stock or rights to purchase Grove capital stock or other property that Grove grants, issues or sells pro rata to the record holders of any class of Grove Common Stock as if and to the same extent that such holders would be entitled if such holders had held the number of Class A Common Stock acquirable upon complete exercise of the HGI Warrants.

Exercise Price Adjustment

If Grove consummates a Change of Control (as defined below) on or before December 31, 2024 and, after such Change of Control, Grove's equityholders own, directly or indirectly, less than 25% of the equity securities of the surviving entity in such Change of Control, the exercise price of the HGI Warrant will increase by 50%.

"Change of Control" means (i) any person or any group of persons acting together which would constitute a "group" for purposes of Section 13(d) of the 1934 Act or any successor provisions thereto (excluding a corporation or other entity owned, directly or indirectly, by the stockholders of the Grove in substantially the same proportions as their ownership of stock of the Grove) (x) is or becomes the beneficial owner, directly or indirectly, of securities of the Grove representing more than fifty percent (50%) of the combined voting power of the Grove's then outstanding voting securities or (y) has or acquires control of the board of directors of the Grove; (ii) a merger, consolidation, reorganization or similar business combination transaction involving the Grove, and, immediately after the consummation of such transaction or series of transactions, either (x) the board of directors of the Grove immediately prior to the merger or consolidation does not constitute at least a majority of the board of directors of the company surviving the merger or, if the surviving company is a subsidiary, the ultimate parent thereof, or (y) the voting securities of the Grove immediately prior to such merger or consolidation do not continue to represent or are not converted into more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the person resulting from such transaction or series of transactions or, if the surviving company is a subsidiary, the ultimate parent thereof; or (iii) the sale, lease or other disposition, directly or indirectly, by the Grove of all or substantially all of the assets of the Grove and its subsidiaries, taken as a whole, other than such sale or other disposition by the Grove of all or substantially all of the assets of the Grove and its subsidiaries, taken as a whole, to an entity at least a majority of the combined voting power of the voting securities of which are owned by stockholders of the Grove.

Volition Warrants

The Volition Warrants entitle the registered holder to purchase one share of Class A Common Stock at a price of $6.33 per share and $0.01 per share, respectively, subject to the adjustments and limitations as discussed below, at any time beginning 6 months from the date of issuance and prior to three years from the date of issuance. The holders do not have the rights or privileges of holders of Class A Common Stock or voting rights until they exercise their Volition Warrants and receive shares of Class A Common Stock. The Warrants include certain provisions that prevent the holder from exercising its Warrants to the extent such action would result in the holder beneficially owning or voting in excess of 19.99% of the Company's outstanding Class A Common Stock.

Exhibit 10.35

GROVE COLLABORATIVE HOLDINGS, INC.
2022 EQUITY AND INCENTIVE PLAN

Performance-Based Restricted Stock Unit Award Notice

You have been awarded a performance-based restricted stock unit ("PSU") award with respect to shares of Class A Common Stock of Grove Collaborative Holdings, Inc., a Delaware corporation (the "Company"), pursuant to the terms and conditions of the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (the "Plan") and the Performance-Based Restricted Stock Unit Award Agreement (together with this Award Notice, the "Agreement"). Copies of the Plan and the Performance-Based Restricted Stock Unit Award Agreement are attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Target PSUs:	You have been awarded a PSU award with respect to a target of ____________ Shares, par value $0.0001 per share, subject to adjustment as provided in the Plan.
Grant Date:	
Performance Period:	
Performance Measures:	[Performance Measures]
Time-Based Vesting Schedule:	[Time-Based Vesting]

GROVE COLLABORATIVE HOLDINGS, INC.

By: _____
Name: Sergio Cervantes
Title: CFO

Acknowledgment, Acceptance and Agreement:
By signing below and returning this Award Notice to Grove Collaborative Holdings, Inc., I hereby accept the Award granted to me and acknowledge and agree to be bound by the terms and conditions of this Award Notice and the Agreement and the Plan.

Date: _______, 2024

Executive

GROVE COLLABORATIVE HOLDINGS, INC.
2022 EQUITY AND INCENTIVE PLAN

PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT

Grove Collaborative, Holdings Inc., a Delaware corporation (the "Company"), hereby grants to the individual (the "Holder") named in the award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "Grant Date"), pursuant to the provisions of the Grove Collaborative Holdings, Inc. 2022 Equity and Incentive Plan (the "Plan"), a performance-based restricted stock unit award (the "Award") with respect to the number of shares of the Company's Class A Common Stock, par value $0.0001 per share ("Stock"), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the "Agreement"). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Holder accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company or electronically accepting this Agreement within the Holder's stock plan account with the Company's stock plan administrator according to the procedures then in effect.

2. Rights as a Stockholder. The Holder shall not be entitled to any privileges of ownership with respect to the shares of Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and the Holder becomes a stockholder of record with respect to such shares. The Award includes a right to dividend equivalents equal to the value of any dividends paid on the Stock for which the dividend record date occurs between the Grant Date and the date the Award is settled or forfeited. Subject to vesting, each dividend equivalent entitles the Holder to receive the equivalent cash value of any such dividends paid on the number of shares of Stock underlying the Award that are outstanding during such period. Dividend equivalents will be accrued (without interest) and will be subject to the same conditions as the shares of Stock to which they are attributable, including, without limitation, the vesting conditions, the provisions governing the time and form of settlement of the Award.

3. Restriction Period and Vesting.

3.1. Performance-Based Vesting Condition. The number of performance-based restricted stock units that may be earned by and for which shares of Stock become issuable to the Holder (the "Earned Units") shall be based upon the achievement of the performance criteria as reviewed and approved by the Committee and reflected in the Award Notice (the "Performance Goals") over the performance period or periods reflected in the Award Notice (the "Performance Period") and the remaining terms of this Agreement (the "Vesting Conditions"). The determination by the Committee with respect to the achievement of the Performance Goals shall be made as soon as administratively practicable following the achievement of the applicable Performance Goal, after all necessary Company information is available.

3.2. Termination of Employment.

(a) Termination of Employment Due to Death or Disability. If the Holder's employment with the Company terminates prior to the end of the Performance Period by reason of the Holder's death or termination by the Company due to Disability, then in any such case, the time-based vesting condition set forth in the Award Notice shall be deemed 100% achieved and the Award shall vest as of the Holder's death or termination by the Company due to Disability to the extent that the underlying Performance Goals have been achieved as of such termination of employment. The portion of the Award that does not vest pursuant to the preceding sentence shall be immediately and automatically forfeited by the Holder and cancelled by the Company.

(b) Termination of Employment Other Than Due to Death or Disability or in Connection with a Change in Control. Notwithstanding anything in this Agreement or any other agreement between the Holder and the Company in effect on the Grant Date, if the Holder's employment with the Company terminates prior to the end of the Performance Period and prior to a Change in Control for any reason other than due to death or Disability, then the Award shall be immediately and automatically forfeited by the Holder and cancelled by the Company.

3.3. Change in Control.

(a) Vesting of Award Not Assumed. In the event of a Change in Control prior to the end of the Performance Period pursuant to which the Award is not effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Board or Committee, with appropriate adjustments to the number and kind of shares, in each case, that preserve the value of the shares subject to the Award and other material terms and conditions of the outstanding Award as in effect immediately prior to the Change in Control), the Award shall vest in its entirety as of the date of the Change in Control.

(b) [Vesting of Award Assumed. In the event of a Change in Control prior to the end of the Performance Period pursuant to which the Award is effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Board or Committee, with appropriate adjustments to the number and kind of shares, in each case, that preserve the value of the shares subject to the Award and other material terms and conditions of the outstanding Award as in effect immediately prior to the Change in Control) and (i) the Holder remains continuously employed through the end of the Performance Period or (ii) the Company terminates the Holder's employment without Cause or the Holder resigns for Good Reason within three (3) months prior to or twelve (12) months following such Change in Control (the "CIC Protection Period") and subject to the Holder's execution and non-revocation of a general release of claims in favor of the Company and related persons and entities (the "Release"), in any such case, the Award shall become fully vested as of the earlier of (x) end of the Performance Period and (y) the Holder's termination of employment during the CIC Protection Period; provided, however, if the Holder's employment is terminated during the three (3) months prior to a Change in Control by the Company without Cause or by the Holder due to Good Reason, then the portion of the Award that does not vest in accordance with Section 3.2(b) shall remain outstanding but not distributable upon such termination and shall vest upon the occurrence of a Change in Control within three (3) months following such termination and, if the Change in Control does not occur within such three (3) months, the Award shall remain subject to Section 3.2(b). If, following a Change in Control, the Holder experiences a termination of employment other than as set forth in Section 3.2(a) or this Section 3.3(b), the Award shall be immediately and automatically forfeited by the Holder and cancelled by the Company.]

3.4. Definitions.

(a) Cause. For purposes of this Award, (i) "Cause" shall have the meaning assigned to such term in any written employment or similar agreement between the Company or any of its Subsidiaries and the Holder in effect on the Grant Date or (ii) if Holder is not party to an employment or similar agreement in effect on the Grant Date which defines "Cause," then "Cause" shall mean: (A) the Holder's commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (B) the Holder's attempted commission of, or participation in, a fraud or act of dishonesty against the Company; (C) the Holder's intentional, material violation of any contract or agreement between the Holder and the Company, of any material Company policy applicable to Holder or of any statutory duty owed to the Company; (D) the Holder's unauthorized use or disclosure of the Company's confidential information or trade secrets; or (E) the Holder's gross, or material deliberate, misconduct. The determination that a termination of the Holder's employment is either for Cause or without Cause will be made by the Company (or, in the event the Holder is subject to Section 16 of the Exchange Act, the Committee), in its sole discretion. Any determination by the Company (or, if applicable, the Committee) that the Holder's employment was terminated with or without Cause for the purposes of this Award shall have no effect upon any determination of the rights or obligations of the Company or the Holder for any other purpose.

(b) Disability. For purposes of this Award, "Disability" shall mean the inability of the Holder to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Company (or, in the event the Holder is subject to Section 16 of the Exchange Act, the Committee) on the basis of such medical evidence as the Company (or, in the event the Holder is subject to Section 16 of the Exchange Act, the Committee) deems warranted under the circumstances.

(c) Good Reason. For purposes of this Award, (i) "Good Reason" shall have the meaning assigned to such term in any written employment or similar agreement between the Company or any of its Subsidiaries and the Holder in effect on the Grant Date or (ii) if Holder is not party to an employment or similar agreement in effect on the Grant Date which defines "Good Reason," then "Good Reason" shall mean Holder's voluntary termination following: (A) a material reduction in the Holder's base salary; (B) a material reduction in the Holder's authority, duties or responsibilities, provided, however, that a change in job position (including a change in title) shall not be deemed a "material reduction" unless the Holder's new authority, duties or responsibilities are substantially reduced from the prior authority, duties or responsibilities; or (C) a relocation of the Holder's principal place of employment that results in an increase in the Holder's one-way driving distance by more than ten (10) miles from the Holder's then current principal residence. In order to resign for Good Reason, the Holder must provide written notice of the event giving rise to Good Reason to the Company's Chief Executive Officer (or, in the event the Holder is subject to Section 16 of the Exchange Act, the Board) within thirty (30) days after the condition arises, allow the Company thirty (30) days to cure such condition, and if the Company fails to cure the condition within such period, the Holder's resignation from all positions the Holder then held with the Company must be effective not later than thirty (30) days after the end of the Company's cure period.

4. Issuance or Delivery of Shares. To the extent that the Committee determines that some or all of the Performance Goals and the Vesting Conditions have been achieved, then as of the Vesting Date or as soon as administratively practicable thereafter (but in any event no later than 60 days following the applicable Vesting Date or the vesting event, subject to Section 6.13 below and the Award Notice), the Company shall issue the number of shares of Stock issuable to Grantee, for the Earned Units determined pursuant to the Committee's

determination of the level of achievement of the Performance Goals, subject to Section 6.1 below.

5. Transfer Restrictions and Investment Representation.

5.1. Non-Transferability of Award. The Award may not be transferred by the Holder other than by will or the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation. The Holder hereby covenants that (a) any sale of any share of Stock acquired upon the vesting of the Award shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions of Award.

6.1. Withholding Taxes.

(a) As a condition precedent to the delivery of the Shares upon vesting of the Award, the Holder shall, upon request by the Company, pay to the Company such amount as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If the Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Holder.

(b) The Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company; (ii) delivery to the Company (either actual delivery or by attestation procedures established by the Company) of previously owned whole Shares having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises (the "Tax Date"), equal to the Required Tax Payments; (iii) authorizing the Company to withhold whole Shares which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments; or (iv) any combination of (i), (ii) and (iii). Shares to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments (or such higher amount as elected by the Holder and which does not raise adverse accounting consequences). Any fraction of a Share which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by the Holder. No Shares shall be delivered until the Required Tax Payments have been satisfied in full.

6.2. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

6.3. Award Confers No Rights to Continued Employment. In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

6.4. Decisions of Board or Committee. The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

6.5. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.6. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Grove Collaborative Holdings, Inc., Attn: Chief Legal Officer, 1301 Sansome Street, San Francisco, California 94111, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.7. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Holder hereby acknowledges receipt of a copy of the Plan.

6.9. Entire Agreement. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder’s interest except by means of a writing signed by the Company and the Holder.

6.10. Partial Invalidity. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

6.11. Amendment and Waiver. The Company may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect the Holder's rights under this Agreement shall be subject to the written consent of the Holder. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.12. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

6.13. Compliance With Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly, and each payment hereunder shall be considered a separate payment for purposes of Section 409A of the Code. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, the applicable shares of Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (i) the six-month anniversary of such separation from service and (ii) the date of the Holder's death. In the event the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, and the Award is scheduled to vest and be settled upon execution and non-revocation of a Release and the 60-day settlement period begins in one calendar year and ends in a second calendar year, the Award shall be settled in the second calendar year no later than the last day of such 60-day period.

6.14. Protected Rights. Nothing in this Agreement or otherwise is intended to, or does, prohibit the Holder from (i) filing a charge or complaint with, providing truthful information to, or cooperating with an investigation being conducted by a governmental agency (such as the U.S. Equal Employment Opportunity Commission, another other fair employment practices agency, the U.S. National Labor Relations Board, the U.S. Department of Labor, or the U.S. Securities and Exchange Commission (the "SEC")); (ii) engaging in other legally-protected activities; (iii) giving truthful testimony or making statements under oath in response to a subpoena or other valid legal process or in any legal proceeding; (iv) otherwise making truthful statements as required by law or valid legal process; or (v) disclosing a trade secret in confidence to a governmental official, directly or indirectly, or to an attorney, if the disclosure is made solely for the purpose of reporting or investigating a suspected violation of law. Accordingly, the Holder shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In the event the Holder files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Holder may disclose the trade secret(s) of the Company to the Holder's attorney and use the trade secret information in the court proceeding, if the Holder (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order. In accordance with applicable law, and notwithstanding any other provision of the Plan or this Agreement, nothing in the Plan, this Agreement or any of any policies or agreements of the Company or any affiliate applicable to the Holder (i) impedes the Holder's right to communicate with the SEC or any other governmental agency about possible violations of federal securities or other laws or regulations or (ii) requires the Holder to provide any prior notice to the Company or its affiliates or obtain their prior approval before engaging in any such communications.

6.15. Clawback. The Award and any cash payment or shares of Stock delivered pursuant to the Award are subject to forfeiture, recovery by the Company or other action pursuant to any clawback or recoupment policy in effect as of the Grant Date or which the Company may adopt from time to time to comply with applicable law, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-8 No. 333-267242, 333-270620 and 333-274006) of Grove Collaborative Holdings, Inc.;

(2) Registration Statements (Form S-3 Nos. 333-273268, 333-273271, 333-273650 and 333-274425); and

(3) Registration Statements (Form S-1 Nos. 333-266205 and 333-266197)

of our report dated March 20, 2024, with respect to the consolidated financial statements Grove Collaborative Holdings, Inc. included in this Annual Report (Form 10-K) of Grove Collaborative Holdings, Inc. for the year ended December 31, 2023.

/s/ Ernst & Young LLP

San Mateo, California
March 20, 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, Jeff Yurcisin, certify that:

1. I have reviewed this Annual Report on Form 10-K of Grove Collaborative Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2024	By:	/s/ Jeff Yurcisin
		Jeff Yurcisin
		Chief Executive Officer

Exhibit 31.2

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, Sergio Cervantes, certify that:

1. I have reviewed this Annual Report on Form 10-K of Grove Collaborative Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(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.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2024 By: /s/ Sergio Cervantes

Sergio Cervantes
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Grove Collaborative Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Yurcisin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2024

By: /s/ Jeff Yurcisin
Jeff Yurcisin
Chief Executive Officer

In connection with the Annual Report of Grove Collaborative Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sergio Cervantes, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2024

By: /s/ Sergio Cervantes
Sergio Cervantes
Chief Financial Officer

GROVE COLLABORATIVE HOLDINGS, INC.
POLICY ON RECOUPMENT OF INCENTIVE COMPENSATION

Introduction

The Compensation Committee (the "Compensation Committee") of the Board of Directors (the "Board") of Grove Collaborative Holdings, Inc. (the "Company") has adopted this Policy on Recoupment of Incentive Compensation (this "Policy"), which provides for the recoupment of compensation in certain circumstances in the event of a restatement of financial results by the Company. This Policy shall be interpreted to comply with the requirements of U.S. Securities and Exchange Commission ("SEC") rules and New York Stock Exchange ("NYSE") listing standards implementing Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and, to the extent this Policy is in any manner deemed inconsistent with such rules, this Policy shall be treated as retroactively amended to be compliant with such rules.

Administration

This Policy shall be administered by the Compensation Committee. Any determinations made by the Compensation Committee shall be final and binding on all affected individuals. The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy, in all cases consistent with the Dodd-Frank Act. The Board or Compensation Committee may amend this Policy from time to time in its discretion.

Covered Executives

This Policy applies to any current or former "executive officer," within the meaning of Rule 10D-1 under the Securities Exchange Act of 1934, as amended, of the Company or a subsidiary of the Company (each such individual, an "Executive"). This Policy shall be binding and enforceable against all Executives and their beneficiaries, executors, administrators, and other legal representatives.

Recoupment Upon Financial Restatement

If the Company is required to prepare 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, 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 "Financial Restatement"), the Compensation Committee shall cause the Company to recoup from each Executive, as promptly as reasonably possible, any erroneously awarded Incentive-Based Compensation, as defined below.

No-Fault Recovery

Recoupment under this Policy shall be required regardless of whether the Executive or any other person was at fault or responsible for accounting errors that contributed to the need for the Financial Restatement or engaged in any misconduct.

Compensation Subject to Recovery; Enforcement

This Policy applies to all compensation granted, earned or vested based wholly or in part upon the attainment of any financial reporting measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measures, whether or not presented within the Company's financial statements or included in a filing with the SEC, including stock price and total shareholder return ("TSR"), including but not limited to performance-based cash, stock, options or other equity-based awards paid or granted to the Executive ("Incentive-Based Compensation"). Compensation that is granted, vests or is earned based solely upon the occurrence of non-financial events, such as base salary, restricted stock or options with time-based vesting, or a bonus awarded solely at the discretion of the Board or Compensation Committee and not based on the attainment of any financial measure, is not subject to this Policy.

In the event of a Financial Restatement, the amount to be recovered will be the excess of (i) the Incentive-Based Compensation received by the Executive during the Recovery Period (as defined below) based on the erroneous data and calculated without regard to any taxes paid or withheld, over (ii) the Incentive-Based Compensation that would have been received by the Executive had it been calculated based on the restated financial information, as determined by the Compensation Committee. For purposes of this Policy, "Recovery Period" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare the Financial Restatement, as determined in accordance with the last sentence of this paragraph, or any transition period that results from a change in the Company's fiscal year (as set forth in Section 303A.14(c)(1)(i)(D) of the NYSE Listed Company Manual). The date on which the Company is required to prepare a Financial Restatement is the earlier to occur of (A) the date the Board or a Board committee (or authorized officers of the Company if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement or (B) the date a court, regulator, or other legally authorized body directs the Company to prepare a Financial Restatement.

For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the Compensation Committee shall determine the amount to be recovered based on a reasonable estimate of the effect of the Financial Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received and the Company shall document the determination of that estimate and provide it to the NYSE.

Incentive-Based Compensation is considered to have been received by an Executive in the fiscal year during which the applicable financial reporting measure was attained or purportedly attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

The Company may use any legal or equitable remedies that are available to the Company to
recoup any erroneously awarded Incentive-Based Compensation, including but not limited to by collecting from the Executive cash payments or shares of Company common stock from or by forfeiting any amounts that the Company owes to the Executive. Executives shall be solely responsible for any tax consequences to them that result from the recoupment or recovery of any amount pursuant to this Policy, and the Company shall have no obligation to administer the Policy in a manner that avoids or minimizes any such tax consequences

No Indemnification

The Company shall not indemnify any Executive or pay or reimburse the premium for any insurance policy to cover any losses incurred by such Executive under this Policy or any claims relating to the Company's enforcement of rights under this Policy.

Exceptions

The compensation recouped under this Policy shall not include Incentive-Based Compensation received by an Executive (i) prior to beginning service as an Executive or (ii) if he or she did not serve as an Executive at any time during the performance period applicable to the Incentive-Based Compensation in question. The Compensation Committee (or a majority of independent directors serving on the Board) may determine not to seek recovery from an Executive in whole or part to the extent it determines in its sole discretion that such recovery would be impracticable because (A) the direct expense paid to a third party to assist in enforcing recovery would exceed the recoverable amount (after having made a reasonable attempt to recover the erroneously awarded Incentive-Based Compensation and providing corresponding documentation of such attempt to the NYSE), (B) recovery would violate the home country law that was adopted prior to November 28, 2022, as determined by an opinion of counsel licensed in the applicable jurisdiction that is acceptable to and provided to the NYSE, or (C) recovery would likely cause the Company's 401(k) plan or any other tax-qualified retirement plan 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 the regulations thereunder.

Other Remedies Not Precluded

The exercise by the Compensation Committee of any rights pursuant to this Policy shall be without prejudice to any other rights or remedies that the Company, the Board or the Compensation Committee may have with respect to any Executive subject to this Policy, whether arising under applicable law (including pursuant to Section 304 of the Sarbanes-Oxley Act of 2002), regulation or pursuant to the terms of any other policy of the Company, employment agreement, equity award, cash incentive award or other agreement applicable to an Executive. Notwithstanding the foregoing, there shall be no duplication of recovery of the same Incentive-Based Compensation under this Policy and any other such rights or remedies.

Acknowledgment

To the extent required by the Compensation Committee, each Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Executive shall be fully bound by, and must comply with, the Policy, whether or not such Executive has executed and returned such acknowledgment form to the Company.

Effective Date and Applicability

This Policy has been adopted by the Compensation Committee on November 30, 2023 and shall apply to any Incentive-Based Compensation that is received by an Executive on or after October 2, 2023.

EXHIBIT A

DODD-FRANK COMPENSATION CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "***Acknowledgement Form***") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges, confirms and agrees that the undersigned: (i) has received and reviewed a copy of the Policy; (ii) is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company; and (iii) will abide by the terms of the Policy, including, without limitation, by reasonably promptly returning any Recoverable Compensation to the Company as required by the Policy, as determined by the Compensation Committee in its sole discretion.

Sign: ______________________________
Name: [Employee]

Date: ______________________________