As filed with the Securities and Exchange Commission on November 12, 2021

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

DIRECT DIGITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**7370**	**83-0662116**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1233 West Loop South, Suite 1170
Houston, TX 77027
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Mark Walker
Chairman and Chief Executive Officer
Keith Smith
President
1233 West Loop Suite 1170
Houston, TX 77027
(832) 402-1051
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

Large accelerated filer	☐	Accelerated filer	☐
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 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price[(1)(2)]**	**Amount of Registration Fee**
Class A common stock, par value $0.001 per share	$ 40,000,000	$ 3,708.00

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes shares of Class A common stock that the underwriters have the option to purchase to cover over-allotments, if any.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

SUBJECT TO COMPLETION, DATED , 2021

PRELIMINARY PROSPECTUS

Shares

Class A Common Stock

This is our initial public offering of our Class A common stock. Prior to this offering, there has been no public market for shares of our Class A common stock. We currently estimate that the initial public offering price will be between $ and $ per share. We have applied to list our Class A common stock on the Nasdaq Capital Market under the symbol "DRCT."

We intend to use the net proceeds that we receive from this offering to purchase from Direct Digital Holdings, LLC ("DDH LLC") newly issued common units of DDH LLC (the "LLC Units"). There is no public market for the LLC Units. The purchase price for each newly issued LLC Unit will be equal to the initial public offering price of each share of our Class A common stock, less the underwriting discounts and commissions referred to below. We intend to cause DDH LLC to use the net proceeds it receives from us in connection with this offering as described in the section titled "*Use of Proceeds*," including to repurchase from USDM Holdings, Inc. ("USDM") all of the units in DDH LLC held by USDM. The other holders of units in DDH LLC will retain their units in DDH LLC. This offering is being conducted through what is commonly referred to as an umbrella partnership-C Corporation ("Up-C") structure, which is often used by partnerships and limited liability companies undertaking an initial public offering. The Up-C structure will allow the holders of the units in DDH LLC, who will retain their equity ownership in DDH LLC (collectively, the "Continuing LLC Owners"), to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. federal income tax purposes and may provide future tax benefits for both Direct Digital Holdings, Inc., and the Continuing LLC Owners if and when the Continuing LLC Owners ultimately redeem or exchange their LLC Units for shares of our Class A common stock. We are a holding company, and upon the closing of this offering and the application of proceeds therefrom our principal asset will be the LLC Units we purchase from DDH LLC, representing an aggregate % economic interest in DDH LLC. The remaining % economic interest in DDH LLC will be owned by the Continuing LLC Owners through their ownership of LLC Units. See the section titled "*Organizational Transactions*."

Following the closing of this offering, we will have two classes of common stock: Class A common stock and Class B common stock. The Class B common stock, which we refer to as noneconomic voting equity interests, will have no rights to receive any distributions or dividends, whether cash or stock, and will not be publicly traded. Each share of Class A common stock and each share of Class B common stock will entitle its holder to one vote per share on all matters presented to our stockholders. Immediately following the completion of this offering, (i) all of our Class B common stock will be held by the Continuing LLC Owners, on a one-to-one basis with the number of LLC Units they respectively own, (ii) the holders of our Class A common stock issued in this offering collectively will hold 100% of the economic interests in us and % of the voting power in us, (iii) the Continuing LLC Owners, through their ownership of Class B common stock, collectively will hold no economic interest in us and the remaining % of the voting power in us and (iv) USDM will hold no interest in DDH LLC or us.

We will be the sole managing member of DDH LLC. We will operate and control all of the business and affairs of DDH LLC and, through DDH LLC and its subsidiaries, conduct our business. Upon the completion of this offering, the aggregate number of shares owned by our controlling stockholder, Direct Digital Management, LLC ("DDM"), a holding company owned by our Chairman and Chief Executive Officer and our President, will represent approximately % of the total voting power of our outstanding capital stock (or approximately % of the total voting power of our outstanding capital stock, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). As a result of the ownership by DDM of our Class A common stock following this offering, we will be a "controlled company" under the listing requirements of The Nasdaq Stock Market LLC and the Nasdaq Marketplace Rules. We do not intend to rely on the exemptions from the corporate governance requirements of the Nasdaq Marketplace Rules.

We are an "emerging growth company," as defined under the Securities Act of 1933, as amended (the "Securities Act"), and will be subject to reduced public reporting requirements. This prospectus complies with the requirements that apply to an issuer that is an emerging growth company. See "*Prospectus Summary — Implications of Being an Emerging Growth Company* ."

Investing in our Class A common stock involves risks. See "*Risk Factors*" beginning on page 21 to read about factors you should consider before buying our Class A common stock.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) See "*Underwriting*" for additional information regarding compensation payable to the underwriters.

The offering is being underwritten on a firm commitment basis. We have granted the underwriters an option for 30 days to purchase up to an additional shares of Class A common stock from us at the initial public offering price less the underwriting discounts and commissions to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any other regulatory body or state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on or about , 2021.

Joint Book-Running Managers

Stephens Inc. **The Benchmark Company**

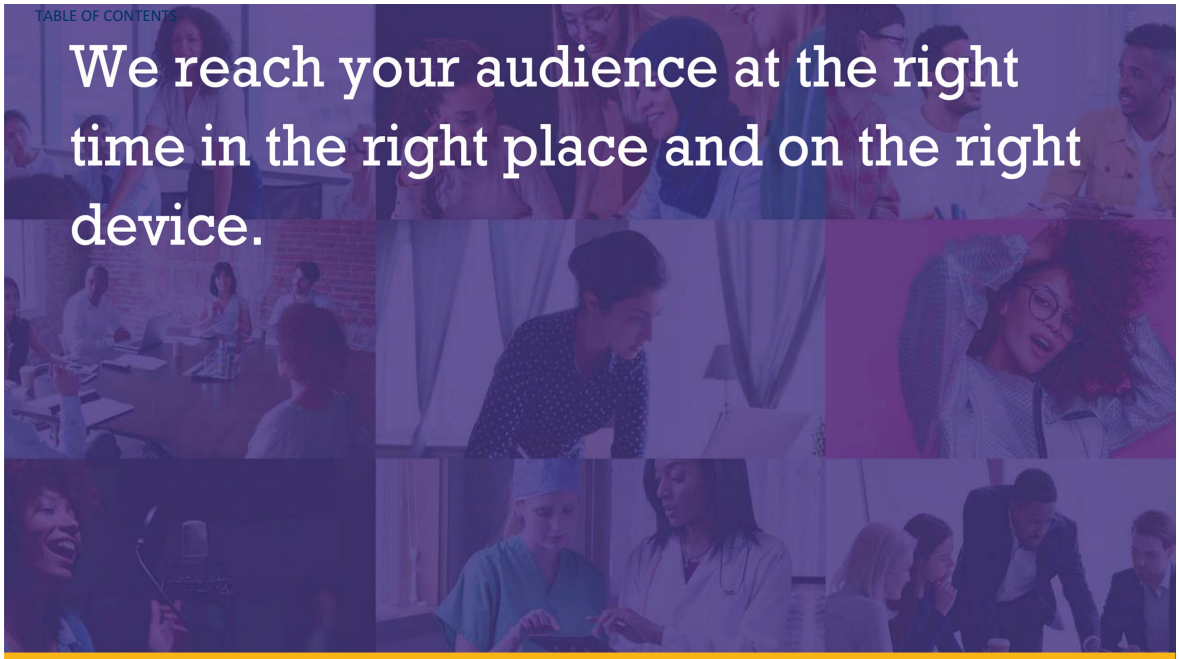
Prospectus dated , 2021.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statem filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.


Direct Digital Holdings
Huddled Masses
ORANGE 142
Colossus SSP
Direct Digital Holdings brings state of the art supply-side and demand-side advertising platforms together under one umbrella company


Huddled Masses
ORANGE 142
Colossus SSP
Direct Digital Holdings
44B+
Impressions per Month(1)
5.2 Years
Average Buy-Side Client Tenure(2)
12%
Multicultural Inventory(1)
56,183
Total Clients(1)
56,025 Sell-Side | 158 Buy-Side
61%
Video / CTV / OTT Inventory(1)
52
Employees(1)
We reach your audience at the right time in the right place and on the right device.
(1) As of September 30, 2021
(2) Based on Top 20 Buy-Side Customers representing approximately 75% of 2020 Revenue


With our acquisitions, we are poised for growth
June 2018: Acquired Huddled Masses and Colossus Media
September 2020: Acquired Orange142
We deliver significant ROI for middle market advertisers by providing data-optimized programmatic solutions at scale for businesses in a multitude of sectors.


We reach your audience at the right time in the right place and on the right device.

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Through and including , 2021 (the 25th day after the date of this prospectus), all dealers that buy, sell, or trade shares of our Class A common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriter and with respect to its unsold allotments or subscriptions.

Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, this offering and the possession and distribution of this prospectus outside of the United States.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information in this prospectus concerning economic conditions, our industry, our markets and our competitive position is based on a variety of sources, including information from independent industry analysts and publications, as well as our own estimates and research.

Our estimates are derived from publicly available information released by third-party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. The independent industry publications used in this prospectus were not prepared on our behalf. While we are not aware of any misstatements regarding any information presented in this prospectus, forecasts, assumptions, expectations, beliefs, estimates and projections involve risk and uncertainties and are subject to change based on various factors, including those described under the headings "*Cautionary Note Regarding Forward-Looking Statements*" and "*Risk Factors.*"

TRADEMARKS AND TRADE NAMES

We own or have rights to trademarks, service marks and trade names that we use in connection with the operation of our business, including our corporate names and logos. Other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this prospectus are listed without the ® or ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

BASIS OF PRESENTATION

In connection with the closing of this offering, we will effect certain organizational transactions. Unless otherwise stated or the context otherwise requires, all information in this prospectus reflects the completion of the organizational transactions and this offering (the "*Organizational Transactions*"). See the section titled "*Organizational Transactions*" for additional information regarding the Organizational Transactions.

Unless the context requires otherwise, references in this prospectus to:

- the "Company," "Direct Digital," "Direct Digital Holdings," "DDH," "we," "us" and "our" refer (i) following the completion of the Organizational Transactions, including this offering, to Direct Digital Holdings, Inc., and, unless otherwise stated, all of its subsidiaries, including Direct Digital Holdings, LLC, which we refer to as "DDH LLC," and, unless otherwise stated, its subsidiaries, and (ii) on or prior to the completion of the Organizational Transactions, including this offering, to Direct Digital Holdings, LLC and, unless otherwise stated, its subsidiaries.
- "Continuing LLC Owners" refers to the individuals and entities that will continue to own LLC Units (as defined below) and which also hold noneconomic shares of Class B common stock after the completion of the Organizational Transactions. The Continuing LLC Owners may, following the completion of this offering, exchange or redeem their LLC Units for shares of our Class A common stock as described in the section titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*," together with a cancellation of the same number of their shares of Class B common stock.
- "DDM" refers to Direct Digital Management, LLC, a Delaware limited liability company owned by Mark Walker, our Chairman and Chief Executive Officer, and Keith Smith, our President.
- "LLC Units" refers to the multiple classes of common units in DDH LLC until we adopt our amended and restated LLC agreement upon the effectiveness of this offering, after which "LLC Units" refers to economic nonvoting common units in DDH LLC.
- "Tax Receivable Agreement" refers to the tax receivable agreement to be entered into following this offering by and among Direct Digital Holdings, DDH LLC and the Continuing LLC Owners. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for additional information.
- "USDM" refers to USDM Holdings, LLC, a holding company owned by Leah Woolford, former manager of DDH LLC, which (i) following the completion of the Organization Transactions, including this offering, will hold no LLC Units, no shares of our Class A common stock and no shares of our Class B common stock and (ii) on or prior to the completion of the Organizational Transactions, including this offering, holds certain units in DDH LLC.

Following completion of the Organizational Transactions and the application of net proceeds therefrom, we will be a holding company and the sole managing member of DDH LLC and our principal asset will be our interests in DDH LLC. DDH LLC is the predecessor of the issuer, Direct Digital, for financial reporting purposes. Accordingly, this prospectus contains the historical consolidated financial statements of DDH LLC. As we will have no other interest in any operations other than those of DDH LLC and its subsidiaries, the historical consolidated financial information included in this prospectus is that of DDH LLC and its subsidiaries. As Direct Digital has no business transactions or activities to date and had no assets or liabilities during the periods presented, the historical financial statements of this entity are not included in this prospectus. Following completion of this offering, the reporting entity for purposes of periodic reporting will be Direct Digital.

The unaudited pro forma financial information of Direct Digital Holdings presented in this prospectus has been derived by the application of pro forma adjustments to the historical consolidated financial statements of DDH LLC and its subsidiaries included elsewhere in this prospectus. The unaudited pro forma consolidated financial data of Direct Digital Holdings presented in this prospectus has been derived from the application of pro forma adjustments to the historical consolidated financial statements of DDH LLC included elsewhere in this prospectus. These pro forma adjustments give effect to the Organizational Transactions as described in the section titled "*Organizational Transactions*," including the completion of

this offering and other related transactions, as if all such transactions had occurred on January 1, 2020. See the section titled "*Unaudited Pro Forma Consolidated Financial Information*" for a complete description of the adjustments and assumptions underlying the unaudited pro forma consolidated financial data included in this prospectus.

PROSPECTUS SUMMARY

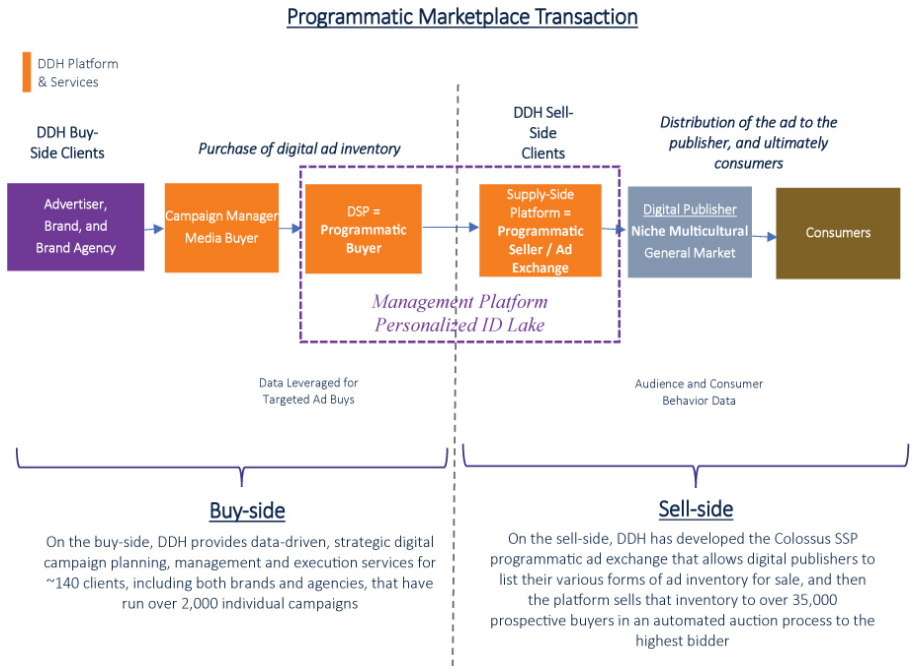
This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our Class A common stock and should carefully consider, among other things, our consolidated financial statements and the related notes and the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Organizational Transactions" included elsewhere in this prospectus.

Company Overview

We are an end-to-end, full-service programmatic advertising platform primarily focused on providing advertising technology, data-driven campaign optimization and other solutions to underserved and less efficient markets on both the buy- and sell-side of the digital advertising ecosystem. Direct Digital Holdings, Inc. is the holding company for the business formed in 2018 by our acquisitions of Huddled Masses, LLC ("Huddled Masses") and Colossus Media, LLC ("Colossus Media"). Colossus Media operates our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™ ("Colossus SSP"). Huddled Masses is the platform for the buy-side of our business. In 2020, we acquired Orange142, LLC ("Orange142") to further bolster our overall programmatic buy-side advertising platform and to enhance our offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small- and mid-sized businesses (which we define as companies with revenue between $5 million and $500 million) transitioning into digital with growing digital media budgets.

This offering is being conducted through what is commonly referred to as an Up-C structure, which is often used by partnerships and limited liability companies when they decide to undertake an initial public offering. See "*Summary of the Organizational Transactions*" later in this Prospectus Summary for important details regarding our structure.

In the digital advertising space, buyers, particularly small- and mid-sized businesses, can potentially achieve significantly higher return on investment ("ROI") on their advertising spend compared to traditional media advertising by leveraging data-driven over-the-top/connected TV ("OTT/CTV"), video and display, in-app, native, and audio advertisements that are delivered both at scale and on a highly targeted basis. Traditional (non-digital) advertising, such as broadcast TV or print media, follows the "spray and pray" approach to reach out to the public, but the ROI from using such traditional (non-digital) advertising campaigns is mostly unpredictable. On the other hand, digital advertising is heavily data-driven and can provide real-time details of targeted advertising campaigns and outcomes. On the sell-side, publishers can more successfully sell their advertising inventory in a programmatic manner by sharing data and information about their digital audiences at scale on an individualized basis, which helps buyers on SSPs such as our Colossus SSP to better target audiences.



We believe that we have a unique competitive advantage due to our data-driven technology that allows us to provide front-end, buy-side planning for our small- and mid-sized clients, coupled with our proprietary Colossus SSP where we can curate the last-mile in the execution process to drive higher ROI. Each month, the Colossus SSP processes over 35 billion impressions and over 150 billion auction bid requests that seek to buy ad inventory from our publishers. In September 2021, Colossus SSP served over 39,386 clients. In our business and throughout this prospectus, we use the terms client and customer interchangeably.

We enable small- and mid-sized clients to leverage programmatic technology to engage their potential customers more directly, on a one-on-one basis, in any local market, with specificity to media device and footprint. Our technology leverages data to assess where our clients' potential customers are in the decision-making process and manage campaign pacing and optimization based on data-driven analytics to drive the purchasing decision or encourage the call to action. The result is the mutual benefit to both our buy-side and sell-side clients, in that our buy-side clients enjoy a more even playing field compared to larger advertisers by driving more effective marketing and advertising in local markets that are compatible to their business footprint. In addition, our sell-side clients enjoy greater opportunity to monetize their ad inventory to new ad buyers that otherwise would be unavailable to them.

We have aligned our business strategy to capitalize on what we believe are significant growth opportunities due to fundamental market shifts and industry inefficiencies. Several trends, happening in parallel, are revolutionizing the way that advertising is bought and sold. Specifically, the rise of the internet has led to a wholesale change in the way that media is consumed and monetized, as ads can be digitally delivered on a 1-to-1 basis. In traditional methods of advertising, such as broadcast TV, ads can target a specific network, program or geography, but not a single household or individual as digital and OTT/CTV ads can. Traditional television U.S. ad spending declined by 12.5% in 2020, while digital spend grew by 15% during the same period and is projected to grow approximately 25% in 2021. Additionally, we expect that the continued destabilization, including the phase out of digital "cookies" in 2023, will (i) create more opportunities for technology companies that provide next-generation CTV and digital solutions and (ii) minimize performance disruption for advertisers and agencies.

The buy-side component of our business is comprised of Huddled Masses, which has been in operation since 2012, and Orange142, which has been in operation since 2013. Both businesses offer technology-enabled advertising solutions and strategic planning to clients. In particular, our buy-side platform focuses on small-to-mid-sized clients. With marketing budgets typically more limited and operating footprints generally more local or state-to-state, we believe small- and mid-sized businesses are focused primarily on ROI-based results that deliver precise advertising and measurable campaign success to level the playing field with larger competitors. Serving the needs of hundreds of small- and mid-sized clients, with more than 4,000 campaigns annually, the buy-side of our business leverages the insights of leading demand side platforms ("DSPs"), such as The Trade Desk, Xandr, Google DV360, MediaMath and others, to drive increased advertising ROI and reduced customer acquisition costs for our clients.

Colossus Media, which has been in operation since 2017, is our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™. Colossus SSP is a stand-alone tech-enabled, data-driven platform that helps deliver targeted advertising to diverse and multicultural audiences, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers, as well as other specific audiences. We partner with both large publishers such as Hearst, Meredith, Gannett, Univision, and several others, as well as smaller publishers such as Ebony Magazine, People Magazine, Family Traveler, Dinero, Sailing World, and many others.

Our business strategy on the sell-side also presents significant growth potential, as we believe we are well positioned to be able to bring underserved multicultural publishers into the advertising ecosystem, thereby increasing our value proposition across all clients including our large clients. We have proprietary rights to the Colossus SSP via a license agreement with a third-party developer. We believe the Colossus SSP is the last-mile of delivery for our buy-side clients in that our customized technology curates unique, highly-optimized audiences informed by proprietary data and data analytics, resulting in increased campaign performance.

Each impression or transaction occurs in a fraction of a second. Given that most transactions take place in an auction/bidding format, we continue to make investments across the platform to further reduce the processing time. In addition to the robust infrastructure supporting our platform, it is also critical that we align with key industry partners in the digital supply chain. The Colossus SSP is agnostic to any specific demand side platform.

We also leverage a sophisticated data management platform, which is DDH's proprietary data collection and data marketing platform used to gather first-party data, market intelligence and audience segmentation information to support campaign optimization efforts for buy-side clients, Colossus SSP clients and third-party clients. Our combined platform offers results in an enhanced, highly loyal client base, particularly on the buy-side.

Our Industry and Trends

There are several key industry trends that are revolutionizing the way that advertising is bought and sold. We are well positioned to take advantage of the rapidly evolving industry trends in digital marketing and shifts in consumer behavior, including:

Shift to Digital Advertising. Media has increasingly become more digital as a result of three key items:

- Advances in technology with more sophisticated digital content delivery across multiple platforms;
- Changes in consumer behavior, including spending longer portions of the day using mobile and other devices; and
- Better audience segmentation with more efficient targeting and measurable results.

The resulting shift has enabled a variety of options for advertisers to efficiently target and measure their advertising campaigns across nearly every media channel and device. These efforts have been led by big-budgeted, large, multi-national corporations incentivized to cast a broad advertising net to support

national brands. Based on eMarketer data, 65% of small- and mid-sized companies expect to increase their programmatic advertising budget, and of those companies, 12% expect to increase their advertising spending by over 25%.

Shift from Linear Broadcast to OTT/CTV. According to eMarketer, as of the end of 2019, approximately 84 million U.S. households maintained a cable subscription which declined to approximately 78 million U.S. households at the end of 2020. However, advertising reach could access more than 104 million households via OTT and CTV channels. Consumers increasingly want the flexibility and freedom to consume content on their own terms resulting in access to premium content at lower prices and with fewer interruptions. Advertisers are recognizing these trends and reallocating their ad budgets accordingly to those companies that can access audiences through a variety of existing and new channels.

Increased Adoption of Digital Advertising by Small- and Mid-Sized Companies. Only recently small- and mid-sized businesses have begun to leverage the power of digital media in meaningful ways, as emerging technologies have enabled advertising across multiple channels in a highly localized nature. Campaign efficiencies yielding measurable results and higher advertising ROI, as well as the needs necessitated by the COVID-19 pandemic, have prompted these companies to begin utilizing digital advertising on an accelerated pace. We believe this market is rapidly expanding, and that small-to-mid-sized advertisers will continue to increase their digital spend.

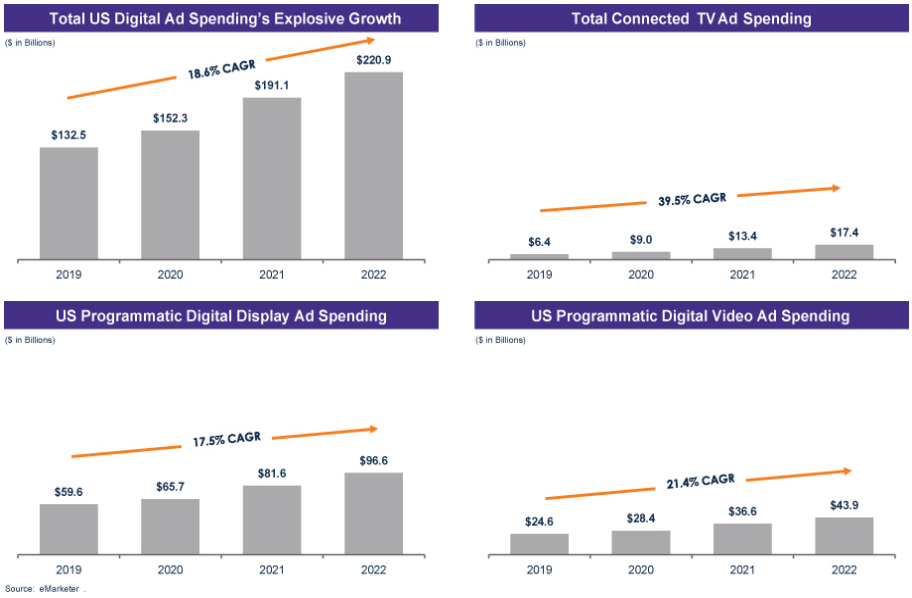
Significant Increase in Multicultural Audience and Targeted Content. As digital media has grown and emerging marketing channels continue to gain adoption, audience segmentation, including on multicultural lines, has become more granular. A growing and increasing segment of those audiences is the multicultural audience, which has been traditionally underserved in the industry. According to the U.S. Census Bureau, racial minority and multi-racial consumers represent 42% of the U.S. population and are projected to be the numerical majority in the U.S. by 2044. When we expand the definition of multicultural to include LGBTQ+ customers, the numbers are significantly greater. Advertisers and publishers alike face the same challenge. Advertisers are seeking new avenues and opportunities to connect with multicultural audiences in their natural media consumption environments while publishers are producing unique content to attract loyal consumers. The advantage will go to those innovative companies able to directly connect both sides to those audiences and leverage the insights flowing from those connections.

Local Ad Buying Becoming More Programmatic. Programmatic advertising enables advertisers to precisely target local audiences and increasingly an "audience of one." Large amounts of inventory have been consolidated, allowing local advertisers to then be more selective about where, when and to whom they show their ads. The technology behind programmatic advertising, such as geotargeting, IP address identification, 1-3-5 radius store location advertising, has provided the opportunity for targeted local advertising to smaller advertisers, which technologies in the past have been more easily available to larger national advertisers. We believe being able to go into a programmatic platform and target the same audience across all digital inventory is a major competitive advantage. Additionally, we also believe that the ability to customize audiences to the needs of local providers is a significant benefit for local advertisers since they are able to deviate from the broad audience segments defined by national advertisers. Higher customer engagement translates into higher retention and extended customer lifecycle representing the opportunity to sell and upsell customers. We believe the local advertising market remains in the early stages of understanding and leveraging these capabilities.

Death of Cookies Will Likely Destabilize Small- to Mid-Size Business Ad Market. As the advertising industry faces the eventual phasing out of third-party cookies, namely by Google, by 2023, small-to-mid-sized business will face potentially greater challenges in the adoption and transition to digital. While first-party data driven by first-party cookies will still have broad-based advertising support, more robust advertising efforts are expected to experience some level of performance degradation. Specifically, the inability to tie ad impressions to an identity will add to the list of challenges already being faced by small- to mid-sized businesses. We expect that the destabilization will create significant opportunities for next-generation technology companies that can provide media buying solutions and minimize performance disruption for advertisers and agencies.

The COVID-19 pandemic has put a greater focus on ROI on ad spend performance. Compared to traditional channels, digital ads are more measurable and flexible, making them more attractive and resilient.

(Based on data from eMarketer)



Our Customers

On the buy-side of our business, our customers consist of purchasers of programmatic advertising inventory. We had approximately 150 direct customers during the year ended December 31, 2020 and approximately 158 direct customers during the nine months ended September 30, 2021, in each case consisting of advertising buyers, including small- and mid-sized companies, large advertising holding companies (which may manage several agencies), independent advertising agencies and mid-market advertising service organizations. However, we work on over 4,000 campaigns annually, as many advertising agencies and advertising holding companies have decision-making that is generally highly decentralized, such that purchasing decisions are made, and relationships with advertisers are located, at the agency, local branch or division level. We serve a variety of customers across multiple industries including travel/tourism (including destination marketing organizations or DMOs), energy, consumer packaged goods ("CPG"), healthcare, education, financial services (including cryptocurrency technologies) and other industries. Some of the significant brands we work with on the buy-side include Curo, the U.S. Army, Just Energy, Bitcoin Depot, Visit Virginia Beach, Visit Colorado Springs, and Pigeon Forge.

On the sell-side of our business, Colossus SSP, the buyers on our platform include DSPs, agencies and individual advertisers. We have broad exposure to the ecosystem of buyers, reaching on average approximately 15,400 advertisers per month in 2020, which has increased to approximately 56,025 per month during the nine months ended September 30, 2021. As spending on programmatic advertising increasingly becomes a larger share of the overall ad spend, advertisers and agencies are seeking greater control of their digital advertising supply chains. To take advantage of this industry shift, we have entered into Supply Path Optimization ("SPO") agreements directly with buyers. As part of these agreements, we are providing advertisers and agencies with benefits ranging from custom data and workflow integrations, product features, volume-based business terms, and visibility into campaign performance data and methodology. As a result of these direct relationships, our existing advertisers and agencies are incentivized to allocate an increasing percentage of their advertising budgets to our platform.

Our Competitive Strengths

We believe the following attributes and capabilities form our core strengths and provide us with competitive advantages:

- **End-to-End, Technology-Driven Solution Focused on Providing Higher Value to Underserved Markets.** Our small- and mid-sized client base is seeking high ROI, low customer acquisition costs, and measurable results that grow their topline. Because we focus exclusively on the first and last miles of media delivery, we engage clients at the front-end of the digital supply chain with the first dollar of spend, in many cases prior to agency involvement, and drive data-driven results across the digital advertising ecosystem to optimize ROI. We offer an end-to-end solution that enables us to set and carry-out the digital campaign strategy of our clients in full, in a more efficient and less expensive manner than some of our competitors. Small- and mid-sized companies are looking for partners that can drive results across the entire digital supply chain. On the Colossus SSP, we offer a wide range of niche and general market publishers an opportunity to maximize advertising revenue driven by technology-enabled targeted advertising to multicultural and other audiences. We believe our technology's ability to tailor our efforts to our clients-specific needs and inform those efforts with data and algorithmic learnings is a long-term advantage to serving this end of the market.
- **Comprehensive Processes Enhance Ad Inventory Quality and Reduce Invalid Traffic ("IVT").** We operate what we believe to be one of the most comprehensive processes in the digital advertising ecosystem to enhance ad inventory quality. In 2020, Colossus SSP was ranked by MediaMath as 4th among the industry's approximately 80 supply-side companies in terms of key quality measures such as transparency, fraud detection, and accountability. In the advertising industry, inventory quality is assessed in terms of IVT, which can be impacted by fraud such as "fake eyeballs" generated by automated technologies set up to artificially inflate impression counts. As a result of our platform design and proactive IVT mitigation efforts, in 2020, as well as for the nine months ended September 30, 2021, less than 1% of inventory was determined to be invalid, resulting in minimal financial impact to our customers. We address IVT on a number of fronts, including: sophisticated technology, which detects and avoids invalid traffic on the front end; direct publisher and inventory relationships, for supply path optimization; and ongoing campaign and inventory performance review, to ensure inventory quality and brand protection controls are in place.
- **Curated Data-Driven Sell-Side Platform ("SSP") to Support Buy-Side.** The Colossus SSP enables us to gather data to build and develop unique product offerings for our clients. The ability to curate our supply allows us to serve a broad range of clients with challenging and unique advertising needs and optimize campaign performance in a way that our siloed competitors are unable to do. This model, together with our infrastructure solutions and ability to quickly access excess server capacity, helps us scale up efficiently and allows us to grow our business at a faster pace than a pure buy-side solution would. In addition, our clients can easily buy targeted data from over 150 sources through our platform. We also provide clients access to our proprietary data through our data management platform, which only increases with continued use of our platform. We believe that the integration of data and decisioning within a single platform enables us to better serve our clients.
- **High Client Retention Rate and Cross Selling Opportunities.** In September 2021, we had approximately 158 clients on the buy-side through 1,824 different campaigns and 56,025 clients on the sell-side. They understand the independent nature of our platform and relentless focus on driving ROI-based results. Our value proposition is complete alignment across our entire digital supply platform beginning with the first dollar in and last dollar out. We are technology and media agnostic, and our clients trust us to provide the best opportunity for success of their brands and businesses. As a result, our clients have been loyal, with over 90% client retention for the clients that represent approximately 80% of our revenues. In addition, we cultivate client relationships through our pipeline of moderate and self-serve clients that conduct campaigns within our platform that eventually grow into managed service clients, which has resulted in their increased use of our platform over time. As our clients expand their usage of our technology platform, they often transition to our managed services delivery model, which in turn drives increased client loyalty. The managed services delivery model allows us to combine our technology with a highly personalized offering to strategically design and manage advertising campaigns, provide ad hoc support and recommend strategy adjustments as needed.

- **Growing and Profitable Business Model.** We have grown our revenue steadily and profitably, which we believe demonstrates the power of our technology platform, the strength of our client relationships and the leverage inherent to our business model. For the year ended December 31, 2020, our sell-side advertising revenue increased to $2.8 million compared to $0.8 million for the year ended December 31, 2019, or an increase of 253%, and for the nine months ended September 30, 2021, our sell-side advertising revenue increased to $5.3 million compared to $1.5 million for the nine months ended September 30, 2020. On September 30, 2020, we acquired Orange142 to further bolster our overall buy-side advertising platform and enhance our offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products and others, with particular emphasis on small- and mid-sized businesses transitioning into digital with growing digital media budgets. For the years ended December 31, 2020 and 2019, our net loss was flat at $(0.9) million for both periods. For the nine months ended September 30, 2021, net income was $0.6 million compared to net loss of $(0.4) million for the same period in 2020. For the year ended December 31, 2020, Adjusted EBITDA increased to $0.6 million compared to Adjusted EBTIDA of $(0.9) million for the year ended December 31, 2019, an increase of $1.5 million, or 171%. For the nine months ended September 30, 2021, Adjusted EBITDA increased to $4.5 million compared to Adjusted EBITDA of $(0.1) million for the nine months ended September 30, 2020. (see "*Non-GAAP Financial Measures*" later in this Prospectus Summary for more information about our use of non-GAAP financial measures).
- **Solutions for the Destabilization of Advertising.** As a result of the impending phase out of third-party cookies by 2023 by Google, we have begun integrating identity resolution solutions in order to provide our clients with accurate, targeted advertising without cookies. These solutions provide higher CPM (cost per thousand impressions) advertising, thus resulting in higher revenues. Leveraging our third-party technology providers, our technology has a potential reach of over 250 million matched people online and is powered by over 600 million unique online authentication events per month. To cater to the need for precision and scale, we will be investing in artificial intelligence and machine learning technology to build out our own collection of identities, often referred to as an "ID Lake," from first-party and third-party data sources, that will facilitate matches and relations between the disparate sets of data.
- **Experienced Management Team.** Our management team, led by our two founders, has significant experience in the digital advertising industry and with identifying and integrating acquired businesses. Specifically, our two founders, Chairman and Chief Executive Officer Mark Walker and President Keith Smith, have over 45 years of combined experience. The team has led digital marketing efforts for companies both large and small, with unique experience leading small- and mid-sized companies through the challenges of transitioning platforms into the programmatic advertising space. Our Chief Technology Officer, Anu Pillai, is experienced in developing digital platforms on both the buy-side and sell-side, ranging from consumer packaged goods companies focused on e-commerce to publishers seeking to monetize their ad inventory. Our Chief Financial Officer, Susan Echard, a former senior auditor at Ernst & Young LLP, has significant experience working with public companies directly as well a strong background with mergers and acquisitions.
- **ESG-Centered Strategy.** We believe our business strategy promotes the ideals of a business focused on environmental, social and governance ("ESG") issues, with particular focus on social and governance issues. Our unique focus has already resulted in numerous partnerships with both large and small advertisers as the multicultural market continues to grow and expand.

Social, Diversity and Governance

We believe it is essential for our organization, from top to bottom, to understand and relate to the issues our clients face on both the buy-side and sell-side. Our founding owners are of African-American descent and founded our Company on multicultural principles designed to alleviate the challenges that buyers and publishers face accessing an expansive multicultural market. Our management team reflects the tone and tenor of our multicultural audiences and our policies on gender equality and gender pay. More than 70% of our management are women and/or identify as being from a diverse background, including all four of our executive officers.

Environmental

Our platform requires significant amounts of information to be stored across multiple servers and we anticipate those amounts to increase significantly as we grow. We are committed to ensuring that we incorporate environmental excellence in our business mindset. Energy use, recycling practices and resource conservation are a few of the factors we take into consideration in building our technological infrastructure, selecting IT partners, and utilizing key suppliers. In the first quarter of 2022, we will transition our server platform to HPE Greenlake, which is centered on environmentally-friendly operations and marketed as "Greenlake-as-a-service," through which we promote its energy conservation principles. We opted for HPE GreenLake's as-a-service model because it represents a shift towards supplier responsibility for the elimination of wasted infrastructure and processing capacity. Our needs are metered and monitored, providing insights that can lead to significant resource and energy efficiencies by avoiding overprovisioning and optimizing the IT refresh cycle. This enables us to bring existing equipment to the highest levels of utilization and to eliminate idling equipment that drains energy and resources, yielding both environmental and financial savings.

Our Growth Strategy

We have a multi-pronged growth strategy designed to continue to build upon the momentum we have generated so far in order to create opportunities. Our key growth strategies include our plans to:

- Continue to expand our highly productive "on the ground" buy-side and sell-side sales teams throughout the United States, with a particular focus on markets where we believe our client base is underserved.
- Utilize management's experience to identify and close additional acquisition opportunities to accelerate expansion into new industry verticals, grow market share and enhance platform innovation capabilities.
- Leveraging our end-to-end product offering as a differentiating factor to win new business and cross-sell to existing clients.
- Aggressively grow the Colossus SSP advertising inventory, including both multicultural and general inventory. We aim to increase our omni-channel capabilities to focus on highest growth content formats such as OTT/ CTV, audio (such as podcasts, etc.), in-app and others.
- Continued innovation and development of our data management platform and proprietary ID Lake and collection of first-party data to inform decision-making and optimize client campaigns.
- Invest in further optimization of our infrastructure and technology solutions to maximize revenue and operating efficiencies.

Recent Quarterly Revenue Performance

Because there is significant seasonality to our business, to provide additional information about our recent financial results of operations, we have included the information below for each of the last seven fiscal quarters about our unaudited historical revenue as well as the unaudited historical revenue for Orange142 prior to our acquisition. Orange142 had one significant agency that transitioned their customer's business internally with the agency during the fourth quarter of 2020, which had an impact on the comparative quarterly revenue results. Revenue related to this customer represented $2.4 million, $1.6 million, $1.7 million, $0.4 million, $0.3 million, $0.3 million, and $0.1 million, for the three months ended March 31, 2020, June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021, respectively. For more information about our financial condition and results of operations, please see the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our financial statements included elsewhere in this prospectus.

	For the Three Months Ended						
Revenue	**March 31, 2020**	**June 30, 2020**	**September 30, 2020**	**December 31, 2020**	**March 31, 2021**	**June 30, 2021**	**September 30, 2021**
DDH Historical							
Buy-side advertising	$1,444,533	$1,471,761	$ 1,461,414	$ 5,278,457	$4,828,047	$9,113,305	$ 6,033,883
Sell-side advertising	$ 175,758	$ 537,832	$ 784,710	$ 1,323,054	$ 865,685	$2,068,588	$ 2,326,862
Orange142 Historical	$5,264,746	$6,272,039	$ 6,401,296				

Summary Risk Factors

An investment in our Class A common stock involves a high degree of risk. You should carefully consider the risks summarized below. These risks are discussed more fully in the "*Risk Factors*" section following this Prospectus Summary. These risks include, but are not limited to, the following:

- our revenue and operating results are highly dependent on the overall demand for advertising that could be influenced by economic downturns;
- the market for programmatic advertising campaigns is relatively new and evolving, so if this market develops slower or differently than we expect, our business, growth prospects and results of operations would be adversely affected;
- the effects of health epidemics, such as the ongoing global COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations;
- operational and performance issues with our platform, whether real or perceived, including a failure to respond to technological changes or to upgrade our technology systems, may adversely affect our business, operating results and financial condition;
- a significant inadvertent disclosure or breach of confidential and/or personal information we hold, or of the security of our or our customers', suppliers' or other partners' computer systems could be detrimental to our business, reputation and results of operations;
- if the non-proprietary technology, software, products and services that we use are unavailable, have future terms we cannot agree to, or do not perform as we expect, our business, operating results and financial condition could be harmed;
- unfavorable publicity and negative public perception about our industry, particularly concerns regarding data privacy and security relating to our industry's technology and practices, and perceived failure to comply with laws and industry self-regulation, could adversely affect our business and operating results;
- if the use of third-party "cookies," mobile device IDs or other tracking technologies is restricted without similar or better alternatives, our platform's effectiveness could be diminished and our business, results of operations, and financial condition could be adversely affected;
- the market in which we participate is intensely competitive, and we may not be able to compete successfully with our current or future competitors;
- high customer concentration exposes us to all of the risks faced by our major customers and may subject us to significant fluctuations or declines in revenues;
- we have a limited operating history and, as a result, our past results may not be indicative of future operating performance;
- our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation;
- we will be a holding company following the completion of this offering. Our principal asset after the completion of this offering will be our interest in DDH LLC, and, accordingly, we will depend on distributions from DDH LLC to pay our taxes, expenses (including payments under the Tax Receivable

Agreement) and dividends. DDH LLC's ability to make such distributions may be subject to various limitations and restrictions;

- DDH LLC may make distributions of cash to us substantially in excess of the amounts we use to make distributions to our stockholders and pay our expenses (including our taxes and payments under the Tax Receivable Agreement). To the extent we do not distribute such excess cash as dividends on our Class A common stock, the Continuing LLC Owners would benefit from any value attributable to such cash as a result of their ownership of Class A common stock upon an exchange or redemption of their LLC Units; and
- the requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified board members.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), under the rules and regulations of the Securities and Exchange Commission (the "SEC"). An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include:

- a requirement to have only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations disclosure;
- reduced disclosure obligations regarding executive compensation under Item 402 of Regulation S-K;
- no requirement for non-binding advisory votes on executive compensation or golden parachute arrangements; and
- an exemption from the auditor attestation requirement in the assessment of internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions until the end of the fiscal year in which the fifth anniversary of this offering occurs, or such earlier time that we no longer qualify as an emerging growth company. In future years, we will cease to be an emerging growth company if we have $1.07 billion in annual revenue or more, become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or issue more than $1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced requirements. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements discussed above.

We have elected to take advantage of some of the reduced disclosure obligations regarding financial statements and executive compensation in this prospectus and may elect to take advantage of other reduced requirements in future filings. As a result, the information we provide to our stockholders may be different from what you might receive from other public reporting companies in which you hold equity interests.

The JOBS Act permits an emerging growth company, like us, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to take advantage of this provision and, as a result, we will not be required to comply with new or revised accounting standards until those standards would otherwise apply to private companies.

Summary of the Organizational Transactions

Direct Digital Holdings was incorporated as a Delaware corporation on August 23, 2021 and is the issuer of the Class A common stock being offered in this offering. This offering is being conducted through what is commonly referred to as an "Up-C" structure, which is often used by partnerships and limited liability companies when they decide to undertake an initial public offering. To implement the Up-C structure, we will effect certain organizational changes (the "Organizational Transactions"). Unless otherwise stated or the context otherwise requires, all information in this prospectus reflects the completion of these Organizational Transactions.

The key terms of the Up-C structure are:

- the Up-C structure will allow the Continuing LLC Owners to retain their equity ownership in DDH LLC and to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. federal income tax purposes following the completion of the offering;
- investors in this offering will, by contrast, hold their equity ownership in Direct Digital Holdings, a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, in the form of shares of Class A common stock;
- USDM will have all of its LLC Units purchased by DDH LLC with a portion of the proceeds from this offering, as discussed in the section titled "*Use of Proceeds*" and will cease having any interest in DDH LLC or us; and
- the Continuing LLC Owners will hold LLC Units and will also hold noneconomic voting equity interests in the form of Class B common stock in Direct Digital Holdings. One of the tax benefits to the Continuing LLC Owners associated with this structure is that future taxable income of DDH LLC that is allocated to the Continuing LLC Owners will be taxed on a pass-through basis and therefore will not be subject to corporate taxes at the entity level. Additionally, the Continuing LLC Owners may, from time to time, redeem or exchange their LLC Units for shares of our Class A common stock on a one-for-one basis. The Up-C structure also provides the Continuing LLC Owners with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded. If we ever generate sufficient taxable income to utilize the tax benefits, Digital Direct Holdings expects to benefit from the Up-C structure because, in general, we expect cash tax savings in amounts equal to 15% of certain tax benefits arising from such redemptions or exchanges of the Continuing Owners' LLC Units for Class A common stock or cash and certain other tax benefits covered by the Tax Receivable Agreement discussed in the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*." See the section titled "*Risk Factors — Risks Related to Our Organizational Structure*."

In connection with the closing of this offering, we will consummate the following transactions:

- we will amend and restate the limited liability company agreement of DDH LLC, or the DDH LLC Agreement, to, among other things, appoint Direct Digital Holdings as the sole managing member of DDH LLC and effectuate a recapitalization of all outstanding preferred and common units of DDH LLC into a single class of economic nonvoting common units of DDH LLC. We will otherwise operate as a holding company. Direct Digital Holdings will include DDH LLC in its consolidated financial statements;
- we will amend and restate Direct Digital Holdings' certificate of incorporation to, among other things, provide for Class A common stock, each share of which entitles its holders to one vote per share, and Class B common stock, each share of which entitles its holders to one vote per share on all matters presented to Direct Digital Holdings' stockholders;
- we will cause DDH LLC to purchase all of the LLC Units held by USDM for an aggregate purchase price of $;
- the Continuing LLC Owners will continue to own the LLC Units they receive in exchange for their outstanding units in DDH LLC, representing approximately % of the economic interest in the business of DDH LLC and its subsidiaries (or approximately %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and we will issue shares of Class B common stock to the Continuing LLC Owners, on a one-to-one basis with the number of LLC Units each Continuing LLC Owner owns upon the consummation of the Organizational Transactions, for nominal consideration;
- the LLC Units, following the completion of this offering, will be redeemable, at the Continuing LLC Owners' election from time to time, for newly issued shares of Class A common stock on a one-for-one basis (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the DDH LLC Agreement; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A

common stock. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owners that hold Class B common stock, redeem or exchange such holders' LLC Units pursuant to the terms of the DDH LLC Agreement;

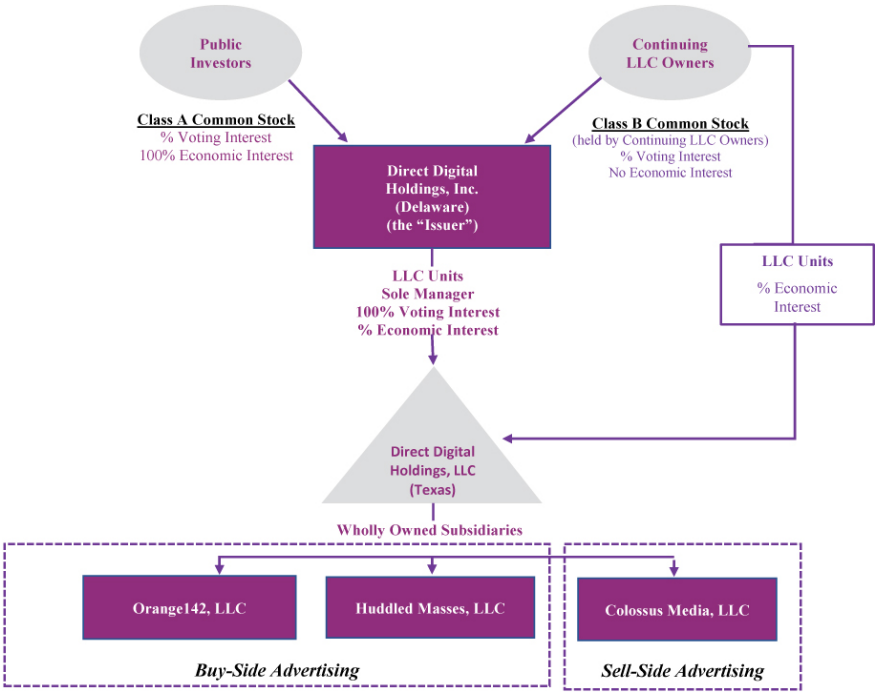
- Direct Digital Holdings will enter into (i) the Tax Receivable Agreement with the Continuing LLC Owners and DDH LLC, and (ii) a registration rights agreement (the "Registration Rights Agreement"), with the Continuing LLC Owners;
- Direct Digital Holdings will issue shares of Class A common stock to the purchasers in this offering (or shares of our Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- Direct Digital Holdings will use all of the net proceeds from this offering (including any net proceeds received upon exercise of the underwriters' option to purchase additional shares of Class A common stock) to acquire newly issued LLC Units from DDH LLC at a purchase price per unit equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions, collectively representing % of DDH LLC's outstanding LLC Units (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock); and
- DDH LLC will use the proceeds from the sale of LLC Units to Direct Digital Holdings as described in the section titled "*Use of Proceeds,*" including to purchase all LLC Units held by USDM for an aggregate purchase price of $.

Upon the completion of this offering, the purchasers in this offering (i) will own shares of Class A common stock, representing approximately % of the combined voting power of all of Direct Digital Holdings' common stock (or shares of Class A common stock representing approximately %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own % of the economic interest in Direct Digital Holdings (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (iii) through Direct Digital Holdings' ownership of LLC Units, indirectly will hold (applying the percentages in the preceding clause (ii) to Direct Digital Holdings' percentage economic interest in DDH LLC) approximately % of the economic interest in DDH LLC (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock).

We refer to the foregoing Organizational Transactions collectively as the "Organizational Transactions." For more information regarding our structure after the completion of the Organizational Transactions, including this offering, see the section titled "*Organizational Transactions.*" Immediately following the completion of this offering, Direct Digital Holdings will be a holding company and its principal asset will be the LLC Units we purchase from DDH LLC. As the sole managing member of DDH LLC, Direct Digital Holdings will operate and control all of the business and affairs of DDH LLC and, through DDH LLC and its subsidiaries, conduct our business. Accordingly, Direct Digital Holdings will have the sole voting interest in, and control the management of, DDH LLC. As a result, we will consolidate DDH LLC in our consolidated financial statements and will report a non-controlling interest related to the LLC Units held by the Continuing LLC Owners on our consolidated financial statements.

See the section titled "*Description of Capital Stock*" for more information about our amended and restated certificate of incorporation and the terms of the Class A common stock and the Class B common stock. See the section titled "*Certain Relationships and Related Person Transactions*" for more information about (i) the DDH LLC Agreement, including the terms of the LLC Units and the redemption right of the Continuing LLC Owners; (ii) the Tax Receivable Agreement; and (iii) the Registration Rights Agreement. See the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Tax Receivable Agreement*" for more information about expected payments under the Tax Receivable Agreement.

The diagram below depicts our organizational structure after giving effect to the Organizational Transactions, including this offering, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock.



Our Capital Structure

Upon the completion of this offering, we will have two classes of common stock. Our Class A common stock, which is the stock we are offering by means of this prospectus, will have one vote per share and our Class B common stock will have one vote per share.

Upon the completion of this offering, all shares of Class B common stock will be held by the Continuing LLC Owners. Accordingly, upon completion of this offering, assuming an offering size as set forth above and an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), the shares beneficially owned by the Continuing LLC Owners will represent % of the total voting power of our outstanding capital stock. The Continuing LLC Owners will be able to determine or significantly influence any action requiring the approval of our stockholders, including the election of our board of directors, the adoption of amendments to our certificate of incorporation and bylaws, and the approval of any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction.

The multi-class structure of our common stock is intended to ensure that, for the foreseeable future, the Continuing LLC Owners continue to control or significantly influence our governance which we believe will permit us to continue to prioritize our long-term goals rather than short-term results, to enhance the likelihood of stability in the composition of our board of directors and its policies, and to discourage certain types of transactions that may involve an actual or threatened acquisition of us.

Company and Other Information

Our principal executive office is located at 1233 West Loop South, Suite 1170, Houston, Texas 77027. Our telephone number is (832) 402-1051. Our main internet address is *www.directdigitalholdings.com*. We do not incorporate the information on or accessible through our website into this prospectus, and you should not consider any information on, or that can be accessed through, our website as a part of this prospectus.

THE OFFERING

Issuer	Direct Digital Holdings, Inc., a Delaware corporation
Class A Common stock offered by us	shares
Underwriters' option to purchase additional shares of Class A common stock from us	shares
Total Class A common stock to be outstanding immediately after this offering	shares (shares if the option to purchase additional shares from us is exercised in full)[1]
Total Class B common stock to be outstanding immediately after this offering[1]	shares, all of which will be owned by the Continuing LLC Owners.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million (or $ million if the underwriters exercise the over-allotment option in full), based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to purchase newly issued LLC Units (or LLC Units if the underwriters exercise the over-allotment option in full) directly from DDH LLC at a purchase price per unit equal to the initial public offering price per share of Class A common stock, less underwriting discounts and commissions. We intend to cause DDH to use such proceeds to purchase all of the LLC Units held by USDM and for working capital and general corporate purposes, including potential future acquisition of, or investment in, technologies or businesses that complement our business. See "*Use of Proceeds*" for additional information.
Voting Rights	Holders of our Class A common stock and Class B common stock will vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law. Each share of Class A common stock and each share of Class B common stock will entitle its holder to one vote per share on all such matters. See the section titled "*Description of Capital Stock*" for additional information.
Voting power held by purchasers in this offering	% (or % if the option to purchase additional shares of Class A common stock from us is exercised in full)
Voting power held by all holders of Class A common stock after giving effect to this offering	% (or % if the option to purchase additional shares of Class A common stock from us is exercised in full)
Voting power held by all holders of Class B common stock after giving effect to this offering	% (or % if the option to purchase additional shares of Class A common stock from us is exercised in full)

Class B common stock exchange rights	The Continuing LLC Owners of DDH LLC, from time to time following the completion of this offering, may exchange their LLC Units for shares of Class A common stock on a one-to-one basis, and a corresponding number of such shares of Class B common stock will be cancelled; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock. See "*Organizational Transactions*" for more information.
Lock-up	We, all of our directors, officers and the Continuous LLC Owners have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our Class A common stock or securities convertible into or exercisable or exchangeable for our Class A common stock for a period of 180 days after the date of the final closing of this offering. See "*Shares Eligible for Future Sale*" and "*Underwriting*" for more information.
Risk factors	See "*Risk Factors*" to read about factors you should consider before buying shares of our Class A common stock.
Proposed trading symbol	"DRCT"

(1) The number of shares of our Class A common stock to be outstanding immediately after this offering is based on the units of DDH LLC outstanding as of September 30, 2021, and excludes the following:

- shares of Class A common stock reserved as of the closing date of this offering for future issuance upon redemption or exchange of LLC Units by the Continuing LLC Owners;
- shares of Class A common stock reserved for issuance under our 2021 Omnibus Incentive Plan; and
- shares of Class A common stock issuable upon the exercise of options (of which have vested) at a weighted average exercise price of $ as of September 30, 2021.

Summary Consolidated Historical and Unaudited Pro Forma Consolidated Financial Information

The following tables present the summary consolidated historical and unaudited pro forma consolidated financial information for DDH LLC and its subsidiaries and Orange142, in each case, for the periods and at the dates indicated. DDH LLC is the predecessor of the issuer, Direct Digital Holdings, for financial reporting purposes. The summary consolidated statements of operations and information for the years ended December 31, 2020 and 2019 and the summary consolidated balance sheet information as of December 31, 2020 and 2019 have been derived from the audited consolidated financial statements and notes of each of DDH LLC and its subsidiaries and Orange142 included elsewhere in this prospectus and the summary consolidated statements of operations and information for the nine months ended September 30, 2021 and 2020 and the summary consolidated balance sheet information as of September 30, 2021 have been derived from the unaudited consolidated financial statements and notes of DDH LLC and its subsidiaries and Orange142 included elsewhere in this prospectus. You should read this information together with our audited consolidated financial statements and related notes and unaudited consolidated financial statements and related notes appearing elsewhere in this prospectus and the information in the sections titled "*Capitalization*," "*Unaudited Pro Forma Consolidated Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*" Our historical results are not necessarily indicative of our future results and results of interim periods are not necessarily indicative of results for the entire year.

The summary unaudited pro forma and unaudited pro forma as adjusted consolidated financial information of DDH LLC presented below has been derived from our unaudited pro forma consolidated financial statements included elsewhere in this prospectus. The summary unaudited pro forma balance sheet information as of September 30, 2021 and December 31, 2020 gives effect to the Organizational Transactions as described in the section titled "*Organizational Transactions*" as if all such transactions had occurred on that date. The summary unaudited pro forma and unaudited pro forma as adjusted consolidated statement of operations for the nine months ended September 30, 2021 and 2020 and the year ended December 31, 2020 gives effect to (i) DDH's acquisition of Orange142 as if this transaction had occurred on January 1, 2020, and (ii) the Organizational Transactions, as if all such transactions had occurred on January 1, 2020, respectively. The unaudited pro forma and unaudited pro forma as adjusted consolidated financial information includes various estimates which are subject to material change and may not be indicative of what our operations or financial position would have been had this offering and related transactions taken place on the dates indicated, or that may be expected to occur in the future. See the section titled "*Unaudited Pro Forma Consolidated Financial Information*" for a complete description of the adjustments and assumptions underlying the summary unaudited pro forma consolidated financial information.

The summary consolidated historical information of Direct Digital Holdings has not been presented as Direct Digital Holdings is a newly incorporated entity, has had no business transactions or activities to date and had no assets or liabilities during the periods presented in this section.

	Year Ended December 31, 2020		For the Nine Months Ended September 30, 2020		For the Nine Months Ended September 30, 2021	
	As Reported	Pro forma for the acquisition of Orange142, LLC (unaudited)	As Reported (unaudited)	Pro forma for the acquisition of Orange142, LLC (unaudited)	As Reported (unaudited)	Pro forma, as adjusted for the Organizational Transactions (unaudited)
Revenues						
Buy-side advertising	$ 9,656,165	$ 27,594,246	$ 4,377,708	$ 22,315,789	$19,975,235	
Sell-side advertising	2,821,354	2,821,354	1,498,300	1,498,300	5,261,135	
Total revenues	12,477,519	30,415,600	5,876,008	23,814,089	25,236,370	
Cost of revenues						
Buy-side advertising	4,864,234	10,131,697	2,836,035	8,103,498	7,480,727	
Sell-side advertising	2,440,975	2,440,975	1,350,083	1,350,083	4,348,756	
Total cost of revenues	7,305,209	12,572,672	4,186,118	9,453,581	11,829,483	
Gross profit	5,172,310	17,842,928	1,689,890	14,360,508	13,406,887	
Operating expenses						
Compensation, taxes and benefits	3,334,060	7,095,086	1,324,196	5,085,222	6,131,930	
General and administrative	1,848,407	4,791,311	600,543	3,543,447	4,214,229	
Acquisition transaction costs	834,407	—	650,000	—	—	
Total operating expenses	6,016,874	11,886,397	2,574,739	8,628,669	10,346,159	
(Loss) income from operations	(844,564)	5,956,531	(884,849)	5,731,839	3,060,728	
Other (expense) income						
Other income	134,776	146,676	134,761	146,661	19,186	
Forgiveness of Paycheck Protection Program loan	277,100	277,100	—	—	10,000	
Gain from revaluation and settlement of seller notes and earnout liability	401,677	401,677	401,677	401,677	21,232	
Interest expense	(865,055)	(2,937,006)	(19,925)	(2,229,103)	(2,432,567)	
Total other (expense) income	(51,502)	(2,111,553)	516,513	(1,680,765)	(2,382,149)	
Tax expense	(12,124)	(61,095)	(12,154)	(61,125)	(54,878)	
(Loss) income	**$ (908,190)**	**$ 3,783,883**	**$ (380,490)**	**$ 3,989,949**	**$ 623,701**	**$ —**
Net income (loss) per common unit:						
Basic and diluted	$ (30.32)	$ 110.70	$ (13.32)	$ 121.74	$ 18.25	$ —
Weighted-average common units outstanding:						
Basic and diluted	29,954	34,182	28,566	32,773	34,182	34,182

	December 31, 2020 (audited)	As of September 30, 2021 Actual (unaudited)	As of September 30, 2021 Pro Forma for the Organizational Transactions (unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 1,611,998	$ 2,603,152	$
Accounts receivable, net	4,679,376	3,903,809	
Prepaid expenses and other current assets	223,344	727,075	
Total current assets	6,514,718	7,234,036	
Goodwill	6,519,636	6,519,636	
Intangible assets, net	17,545,396	16,080,032	
Deferred financing costs, net	90,607	51,775	
Other long-term assets	25,118	12,948	
Total assets	$30,695,475	$29,898,427	$
LIABILITIES AND MEMBERS' EQUITY/STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	$ 3,263,326	$ 3,110,281	$
Accrued liabilities	1,392,520	1,510,563	
Notes payable, current portion	1,206,750	2,611,685	
Deferred revenues	308,682	684,303	
Related party payables	70,801	69,837	
Seller notes payable	315,509	—	
Seller earnout payable	74,909	—	
Total current liabilities	6,632,497	7,986,669	
Notes payable, net of short-term portion and $501,796 and $286,741 of deferred financing cost as of December 31, 2020 and September 30, 2021	11,213,697	9,086,328	
Mandatorily redeemable non-participating preferred units	9,913,940	9,913,940	
Line of credit	407,051	407,051	
Paycheck Protection Program loan	10,000	287,143	
Economic Injury Disaster Loan	150,000	150,000	
Total liabilities	28,327,185	27,831,131	
MEMBERS'/STOCKHOLDERS' EQUITY			
Units, 1,000,000 units authorized as of December 31, 2020 and September 31, 2021; 34,182 units issued and outstanding as of December 31, 2020 and September 30, 2021	4,294,241	4,294,241	
Accumulated deficit	(1,925,951)	(2,226,945)	
Total members'/stockholders' equity	2,368,290	2,067,296	
Total liabilities and members'/stockholders' equity	$30,695,475	$29,898,427	$

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. generally accepted accounting principles ("GAAP"), including, in particular operating income, net cash provided by operating activities, and net income, we believe that earnings before interest, taxes, depreciation and amortization ("EBITDA"), as adjusted for acquisition transaction costs, forgiveness of Paycheck Protection Program loans and gain from revaluation and settlement of seller notes and earnout liability ("Adjusted EBITDA"), a non-GAAP measure, is useful in evaluating our operating performance. The most directly comparable GAAP measure to Adjusted EBITDA is net income.

The following table presents a reconciliation of Adjusted EBITDA to net income for each of the periods presented:

	For the Nine Months Ended September 30,		For the Year Ended December 31,	
	2021	2020	2020	2019
Net income (loss)	$ 623,701	$(380,490)	$(908,190)	$(883,768)
Add back (deduct):				
Amortization of intangible assets	1,465,364	—	488,454	—
Acquisition transaction costs	—	650,000	834,407	—
Interest expense	2,432,567	19,925	865,055	57,105
Tax expense	54,878	12,154	12,124	39,137
Forgiveness of Paycheck Protection Program loan	(10,000)	—	(277,100)	—
Gain from revaluation and settlement of seller notes and earnout liability	(21,232)	(401,677)	(401,677)	(79,091)
Adjusted EBITDA	$4,545,278	$(100,088)	$ 613,073	$(866,617)

In addition to operating income and net income, we use Adjusted EBITDA as a measure of operational efficiency. We believe that this non-GAAP financial measure is useful to investors for period-to-period comparisons of our business and in understanding and evaluating our operating results for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items such as depreciation and amortization, interest expense, provision for income taxes, and certain one-time items such as acquisition transaction costs and gains from settlements or loan forgiveness that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of operating performance and the effectiveness of our business strategies and in communications with our board of directors concerning our financial performance; and
- Adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Our use of this non-GAAP financial measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP.

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. You should carefully consider the following risk factors, together with the other information contained in this prospectus, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes, before purchasing our Class A common stock. Our business, results of operations, financial condition or prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. We have listed below (not necessarily in order of importance or probability of occurrence) what we believe to be the most significant risk factors applicable to us, but they do not constitute all of the risks that may be applicable to us. If any of the risks actually occur, our business, results of operations, financial condition and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose all or part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section titled "Cautionary Note Regarding Forward-Looking Statements."

Risks Related to our Business

We rely on highly skilled personnel and if we are unable to attract, retain or motivate substantial numbers of qualified personnel or expand and train our sales force, we may not be able to grow effectively.

We rely on highly skilled personnel and if we are unable to attract, retain or motivate substantial numbers of qualified personnel or expand and train our sales force, we may not be able to grow effectively. Our success largely depends on the talents and efforts of key technical, sales and marketing employees and our future success depends on our continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of our organization. Competition in our industry is intense and often leads to increased compensation and other personnel costs. In addition, competition for employees with experience in our industry can be intense where our development operations are concentrated and where other technology companies compete for management and engineering talent. Our continued ability to compete and grow effectively depends on our ability to attract substantial numbers of qualified new employees and to retain and motivate our existing employees.

The digital advertising industry is intensely competitive, and if we do not effectively compete against current and future competitors, our business, results of operations, and financial condition could be harmed.

We operate in a highly competitive and rapidly changing industry that is subject to changing technology and customer demands and that includes many companies providing competing solutions. With the introduction of new technologies and the influx of new entrants into the market, we expect competition to persist and intensify in the future, which could harm our ability to increase revenue and maintain profitability. New technologies and methods of buying advertising present a dynamic competitive challenge, as market participants offer multiple new products and services aimed at capturing advertising spend.

We compete with smaller, privately-held companies and with public companies such as The Trade Desk, Pubmatic, Magnite, and Acuity Ads. Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, allowing them to devote greater resources to the development, promotion, sale and support of their products and services. They may also have more extensive customer bases and broader supplier relationships than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper marketer relationships or offer services at lower prices. Increased competition may result in reduced pricing for our platform, increased sales and marketing expense, longer sales cycles or a decrease of our market share, any of which could negatively affect our revenue and future operating results and our ability to grow our business. These companies may also have greater brand recognition than we have, actively seek to serve our market, and have the power to significantly change the nature of the marketplace to their advantage. Some of our larger competitors have substantially broader product offerings and may leverage their relationships based on other products or incorporate functionality into existing products to gain business in a manner that may discourage customers from using our platform, including through selling at zero or negative margins or product bundling with other services they provide at reduced prices. Customers may prefer to purchase

advertising on their own or through another platform without leveraging our buy-side business. Potential customers may also prefer to leverage larger sell-side platforms rather than a new platform regardless of product performance or features. These larger competitors often have broader product lines and market focus and may therefore not be as susceptible to downturns in a particular market. We may also experience negative market perception as a result of being a smaller company than our larger competitors.

We may also face competition from companies that we do not yet know about or do not yet exist. If existing or new companies develop, market or resell competitive high-value marketing products or services, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our results of operations could be harmed.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs, which may in turn impair our growth.

We intend to continue to grow our business, which may require additional capital to develop new features or enhance our platform, improve our operating infrastructure, finance working capital requirements or acquire complementary businesses and technologies. Accordingly, we may need to engage in additional equity or debt financings to secure additional capital. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. Any debt financing that we secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we are unable to secure additional funding on favorable terms, or at all, when we require it, our ability to continue to grow our business to react to market conditions could be impaired and our business may be harmed.

The effects of health pandemics, such as the ongoing global COVID-19 pandemic, have had, and could in the future have, an adverse impact on our business, financial condition and results of operations.

Our business and operations have been and could in the future be adversely affected by health pandemics, such as the global COVID-19 pandemic. The COVID-19 pandemic and efforts to control its spread have curtailed the movement of people, goods and services worldwide, including in the regions in which we and our clients and partners operate, and are significantly impacting economic activity and financial markets. Many marketers have decreased or paused their advertising spending as a response to the economic uncertainty, decline in business activity and other COVID-related impacts, which have negatively impacted some parts of our business, and may continue to negatively impact, our revenue and results of operations, the extent and duration of which we may not be able to accurately predict. In addition, our clients' and advertisers' businesses or cash flows have been and may continue to be negatively impacted by the COVID-19 pandemic, which has and may continue to lead them to seek adjustments to payment terms or delay making payments or default on their payables, any of which may impact the timely receipt and/or collectability of our receivables. Typically, we are contractually required to pay for advertising inventory and data suppliers within a negotiated period of time, regardless of whether our clients pay us on time, or at all, and we may not be able to renegotiate better terms. As a result, our business, results of operations, and financial condition may be adversely impacted.

Our operations are subject to a range of external factors related to the COVID-19 pandemic that are not within our control. We have taken precautionary measures intended to minimize the risk of the spread of the virus to our employees, partners and clients, and the communities in which we operate. A wide range of governmental restrictions were previously, and may again be, imposed on our employees, clients and partners' physical movement to limit the spread of COVID-19. There can be no assurance that precautionary measures, whether adopted by us or imposed by others, will be effective, and such measures could negatively affect our sales, marketing and client service efforts, delay and lengthen our sales cycles, decrease our employees', clients' or partners' productivity, or create operational or other challenges, any of which could harm our business, results of operations and financial condition.

Our customers or potential customers, particularly in industries most impacted by the COVID-19 pandemic, including the retail, restaurant, hotel, hospitality, consumer discretionary, airline, and oil and gas

industries and companies whose customers operate in impacted industries, may reduce their technology or sales and marketing spending or delay their sales transformation initiatives, which could materially and adversely impact our business.

The economic uncertainty caused by the COVID-19 pandemic has made and may continue to make it difficult for us to forecast revenue and operating results and to make decisions regarding operational cost structures and investments. We have committed, and we plan to continue to commit, resources to grow our business, including to expand our international presence, employee base and technology development, and such investments may not yield anticipated returns, particularly if worldwide business activity continues to be impacted by the COVID-19 pandemic. The duration and extent of the impact from the COVID-19 pandemic depend on future developments that cannot be accurately predicted at this time, and if we are not able to respond to and manage the impact of such events effectively, our business may be harmed.

High customer concentration exposes us to various risks faced by our major customers and may subject us to significant fluctuations or declines in revenues.

A limited number of our major customers have contributed a significant portion to our revenues in the past. Our revenue from the top two largest customers accounted for approximately 25% and 41% of our total revenues in the fiscal years ended December 31, 2020 and 2019, respectively, and approximately 33% and 51% of our total revenues in the nine months ended September 30, 2021 and 2020, respectively. Our revenue from our top ten largest customers accounted for approximately 59% and 75% of our total revenues in the fiscal years ended December 31, 2020 and 2019, respectively, and approximately 69% and 92% of our total revenues in the nine months ended September 30, 2021 and 2020, respectively. Although we continually seek to diversify our customer base, we cannot assure you that the proportion of the revenue contribution from these customers to our total revenues will decrease in the near future. Dependence on a limited number of major customers will expose us to the risks of substantial losses and may increase our accounts receivable and extend its turn-over days if any of them reduces or even ceases business with us. Specifically, any one of the following events, among others, may cause material fluctuations or declines in our revenues and have a material and adverse effect on our business, financial condition, results of operations and prospects:

- an overall decline in the business of one or more of our significant customers;
- the decision by one or more of our significant customers to switch to our competitors;
- the reduction in the prices for our services agreed by one or more of our significant customers; or
- the failure or inability of any of our significant customers to make timely payment for our services.

Operational and performance issues with our platform, whether real or perceived, including a failure to respond to technological changes or to upgrade our technology systems, may adversely affect our business, operating results and financial condition.

We depend upon the sustained and uninterrupted performance of our platform to manage our advertising inventory supply; acquire advertising inventory for each campaign; collect, process and interpret data; and optimize campaign performance in real time and provide billing information to our financial systems. If our platform cannot scale to meet demand, if there are errors in our execution of any of these functions on our platform, or if we experience outages, then our business may be harmed.

Our platform is complex and multifaceted. Operational and performance issues could arise from the platform itself or from outside factors, such as cyberattacks or other third-party attacks. Errors, failures, vulnerabilities or bugs have been found in the past, and may be found in the future. Our platform also relies on third-party technology and systems to perform properly. It is often used in connection with computing environments utilizing different operating systems, system management software, equipment and networking configurations, which may cause errors in, or failures of, our platform or such other computing environments. Operational and performance issues with our platform could include the failure of our user interface, outages, errors during upgrades or patches, discrepancies in costs billed versus costs paid, unanticipated volume overwhelming our databases, server failure or catastrophic events affecting one or more server facilities. While we have built redundancies in our systems, full redundancies do not exist. Some failures will shut our platform down completely, others only partially. We provide service-level agreements

to some of our customers, and if our platform is not available for specified amounts of time or if there are failures in the interaction between our platform, partner platform and third-party technologies, we may be required to provide credits or other financial compensation to our customers.

As we grow our business, we expect to continue to invest in technology services and equipment. Without these improvements, our operations might suffer from unanticipated system disruptions, slow transaction processing, unreliable service levels, impaired quality or delays in reporting accurate information regarding transactions in our platform, any of which could negatively affect our reputation and ability to attract and retain customers. In addition, the expansion and improvement of our systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance our business will grow. If we fail to respond to technological change or to adequately maintain, expand, upgrade and develop our systems and infrastructure in a timely fashion, our growth prospects and results of operations could be adversely affected.

Operational and performance issues with our platform could also result in negative publicity, damage to our brand and reputation, loss of or delay in market acceptance of our platform, increased costs or loss of revenue, loss of the ability to access our platform, loss of competitive position or claims by customers for losses sustained by them. Alleviating problems resulting from such issues could require significant expenditures of capital and other resources and could cause interruptions, delays or the cessation of our business, any of which may adversely affect our operating results and financial condition.

A significant inadvertent disclosure or breach of confidential and/or personal information we hold, or of the security of our or our customers', suppliers' or other partners' computer systems, could be detrimental to our business, reputation and results of operations.

Portions of our business require the storage, transmission and utilization of data, including access to personal information, much of which must be maintained on a confidential basis. These activities may in the future make us a target of cyber-attacks by third parties seeking unauthorized access to the data we maintain and to which we provide access, including our customer data, or to disrupt our ability to provide service through the Colossus SSP. Based on the types and volume of personal data on our systems, we believe that we are a particularly attractive target for such breaches and attacks.

In recent years, the frequency, severity and sophistication of cyber-attacks, computer malware, viruses, social engineering, and other intentional misconduct by computer hackers has significantly increased, and government agencies and security experts have warned about the growing risks of hackers, cyber criminals and other potential attackers targeting information technology systems. Such third parties could attempt to gain entry to our systems for the purpose of stealing data or disrupting the systems. In addition, our security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, including vulnerabilities of our vendors, suppliers, their products or otherwise. Third parties may also attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information to gain access to our customers' data or our data, including intellectual property and other confidential business information.

We currently serve the majority of Colossus SSP functions from third-party data center hosting facilities. While we and our third-party cloud providers have implemented security measures designed to protect against security breaches, these measures could fail or may be insufficient, particularly as techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until launched against a target, resulting in the unauthorized disclosure, modification, misuse, destruction or loss of our or our customers' data or other sensitive information. Any failure to prevent or mitigate security breaches and improper access to or disclosure of the data we maintain, including personal information, could result in litigation, indemnity obligations, regulatory enforcement actions, investigations, fines, penalties, mitigation and remediation costs, disputes, reputational harm, diversion of management's attention, and other liabilities and damage to our business.

We believe we have taken appropriate measures to protect our systems from intrusion, but we cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities in our systems and attempts to exploit those vulnerabilities, physical system or facility break-ins and data thefts or other developments will not compromise or breach the technology protecting our systems and the information we possess.

We may incur significant costs in protecting against or remediating cyber-attacks. Any security breach could result in operational disruptions that impair our ability to meet our customers' requirements, which could result in decreased revenue. Also, whether there is an actual or a perceived breach of our security, our reputation could suffer irreparable harm, causing our current and prospective customers to reject our products and services in the future, deterring data suppliers from supplying us data or customers from uploading their data on our platform, or changing consumer behaviors and use of our technology. Further, we could be forced to expend significant resources in response to a security breach, including those expended in notifying individuals and providing mitigating services, repairing system damage, increasing cyber security protection costs by deploying additional personnel and protection technologies, and litigating and resolving legal claims or governmental inquiries and investigations, all of which could divert the attention of our management and key personnel away from our business operations. Federal, state and foreign governments continue to consider and implement laws and regulations addressing data privacy, cybersecurity, and data protection laws, which include provisions relating to breaches. For example, statutory damages may be available to users through a private right of action for certain data breaches under the California Consumer Privacy Act (the "CCPA"), and potentially other states' laws. In any event, a significant security breach could materially harm our business, operating results and financial condition.

Our customers, suppliers and other partners are primarily responsible for the security of their information technology environments, and we rely heavily on them and other third parties to supply clean data content and/or to utilize our products and services in a secure manner. Each of these third parties may face risks relating to cyber security, which could disrupt their businesses and therefore materially impact ours. While we provide guidance and specific requirements in some cases, we do not directly control any of such parties' cyber security operations, or the amount of investment they place in guarding against cyber security threats. Accordingly, we are subject to any flaws in or breaches of their systems, which could materially impact our business, results of operations, and financial condition.

Our success and revenue growth are dependent on adding new customers, effectively educating and training our existing customers on how to make full use of our platform and increasing usage of our platform by our customers.

Our success is dependent on regularly adding new customers and increasing our customers' usage of our platform. Our contracts and relationships with customers generally do not include long-term or exclusive obligations requiring them to use our platform or maintain or increase their use of our platform. Our customers typically have relationships with numerous providers and can use both our platform and those of our competitors without incurring significant costs or disruption. Our customers may also choose to decrease their overall advertising spend for any reason. Accordingly, we must continually work to win new customers and retain existing customers, increase their usage of our platform and capture a larger share of their advertising spend. We may not be successful at educating and training customers, particularly our newer customers, on how to use our platform, in particular our advanced reporting tools, in order for our customers to get the most benefit from our platform and increase their usage. If these efforts are unsuccessful or customers decide not to continue to maintain or increase their usage of our platform for any other reason, or if we fail to attract new customers, our revenue could fail to grow or decline, which would materially and adversely harm our business, results of operations, and financial condition. We cannot assure you that our customers will continue to use and increase their spend on our platform or that we will be able to attract a sufficient number of new customers to continue to grow our business and revenue. If customers representing a significant portion of our business decide to materially reduce their use of our platform or cease using our platform altogether, our revenue could be significantly reduced, which could have a material adverse effect on our business, operating results and financial condition. We may not be able to replace customers who decrease or cease their usage of our platform with new customers that will use our platform to the same extent.

If we fail to detect advertising fraud, we could harm our reputation and hurt our ability to execute our business plan.

As our business expands to providing services to publishers, advertisers and agencies, we must deliver effective digital advertising campaigns. Some of those campaigns may experience fraudulent and other invalid impressions, clicks or conversions that advertisers may perceive as undesirable, such as non-human

traffic generated by computers designed to simulate human users and artificially inflate user traffic on websites. These activities could overstate the performance of any given digital advertising campaign and could harm our reputation. It may be difficult for us to detect fraudulent or malicious activity because we do not own content and rely in part on our digital media properties to control such activity. Industry self-regulatory bodies, the U.S. Federal Trade Commission (the "FTC") and certain influential members of Congress have increased their scrutiny and awareness of, and have taken recent actions to address, advertising fraud and other malicious activity. If we fail to detect or prevent fraudulent or other malicious activity, the affected advertisers may experience or perceive a reduced return on their investment and our reputation may be harmed. High levels of fraudulent or malicious activity could lead to dissatisfaction with our solutions, refusals to pay, refund or future credit demands or withdrawal of future business, any of which could have a material adverse effect on our business, prospects or results of operations.

The market growth forecasts included in this prospectus may prove to be inaccurate and, even if the market in which we compete achieves forecasted growth, we cannot assure you our business will grow at similar rates, if at all.

Market growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The forecasts in this prospectus relating to expected growth in the digital advertising and programmatic ad markets may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth is subject to many factors including our success in implementing our business strategy, which is subject to many risks and uncertainties. The failure of either the market in which we operate or our business to grow as forecasted could have a material adverse effect on our business, prospects or results of operations.

The market for programmatic advertising campaigns is relatively new and evolving. If this market develops slower or differently than we expect, our business, growth prospects and results of operations would be adversely affected.

The substantial majority of our revenue has been derived from customers that programmatically purchase or sell advertising inventory through our platform. We expect that spending on programmatic ad buying and selling will continue to be our primary source of revenue for the foreseeable future, and that our revenue growth will largely depend on increasing spend through our platform. The market for programmatic ad buying is an emerging market, and our current and potential customers may not shift quickly enough to programmatic ad buying from other buying methods, reducing our growth potential. Because our industry is relatively new, we will encounter risks and difficulties frequently encountered by early-stage companies in similarly rapidly evolving industries, including the need to:

- Maintain our reputation and build trust with advertisers and digital media property owners;
- Offer competitive pricing to publishers, advertisers and digital media agencies;
- Maintain quality and expand quantity of our advertising inventory;
- Continue to develop, launch and upgrade the technologies that enable us to provide our solutions;
- Respond to evolving government regulations relating to the internet, telecommunications, mobile, privacy, marketing and advertising aspects of our business;
- Identify, attract, retain and motivate qualified personnel; and
- Cost-effectively manage our operations.

If the market for programmatic ad buying deteriorates or develops more slowly than we expect, it could reduce demand for our platform, and our business, growth prospects and financial condition would be adversely affected.

In addition, revenue may not necessarily grow at the same rate as spend on our platform. Growth in spend may outpace growth in our revenue as the market for programmatic advertising matures due to a number of factors including quantity discounts and product, media, customer and channel mix shifts. A significant change in revenue as a percentage of spend could reflect an adverse change in our business and growth prospectus. In addition, any such fluctuations, even if they reflect our strategic decisions, could cause

our performance to fall below the expectations of securities analysts and investors, and adversely affect the price of our Class A common stock.

We often have long sales cycles, which can result in significant time between initial contact with a prospect and execution of a customer agreement, making it difficult to project when, if at all, we will obtain new customers and when we will generate revenue from those customers.

Our sales cycle, from initial contact to contract execution and implementation, can take significant time. Our sell-side sales cycle often has a duration of six-to-12 months, while our buy-side business sales cycle often has a duration of three-to-nine months. As part of our sales cycle, we may incur significant expenses before we generate any revenue from a prospective customer. We have no assurance that the substantial time and money spent on our sales efforts will generate significant revenue. If conditions in the marketplace, generally or with a specific prospective customer, change negatively, it is possible that we will be unable to recover any of these expenses. Our sales efforts involve educating our customers about the use, technical capabilities and benefits of our platform, and working through technical connections and troubleshooting technical issues with prospective customers. Some of our customers undertake an evaluation process that frequently involves not only our platform but also the offerings of our competitors. As a result, it is difficult to predict when we will obtain new customers and begin generating revenue from these new customers. Even if our sales efforts result in obtaining a new customer, the customer controls when and to what extent it uses our platform and therefore the amount of revenue we generate, and it may not sufficiently justify the expenses incurred to acquire the customer and the related training support. As a result, we may not be able to add customers, or generate revenue, as quickly as we may expect, which could harm our growth prospects.

Failure to maintain the brand security features of our solution could harm our reputation and expose us to liabilities.

Advertising is bought and sold through our solution in automated transactions that occur in milliseconds. It is important to sellers that the advertising placed on their media be of high quality, consistent with applicable seller standards, not conflict with existing seller arrangements, and be compliant with applicable legal and regulatory requirements. It is important to buyers that their advertisements be placed on appropriate media, in proximity with appropriate content, that the impressions for which they are charged be legitimate, and that their advertising campaigns yield their desired results. We use various measures, including technology, internal processes and protocols in an effort to store, manage and process rules set by buyers and sellers and to ensure the quality and integrity of the results delivered to sellers and advertisers through our solution. If we fail to properly implement or honor rules established by buyers and sellers, improper advertisements may be placed through our platform, which can result in harm to our reputation as well as the need to pay refunds and potential legal liabilities.

Economic downturns and market conditions beyond our control could adversely affect our business, results of operations and financial condition.

Our business depends on the overall demand for advertising and on the economic health of advertisers and publishers that benefit from our platform. Economic downturns or unstable market conditions such as those potentially created by the outbreak of COVID-19 discussed above, may cause advertisers to decrease their advertising budgets, which could reduce spend though our platform and adversely affect our business, results of operations, and financial condition. As we explore new countries to expand our business, economic downturns or unstable market conditions in any of those countries could result in our investments not yielding the returns we anticipate.

We may be required to delay recognition of some of our revenue, which may harm our financial results in any given period.

We may be required to delay recognition of revenue for a significant period of time after entering into an agreement due to a variety of factors, including, among other things, whether:

- the transaction involves both current products and products that are under development;

- the customer requires significant modifications, configurations or complex interfaces that could delay delivery or acceptance of our products;
- the transaction involves acceptance criteria or other terms that may delay revenue recognition; or
- the transaction involves performance milestones or payment terms that depend upon contingencies.

Because of these factors and other specific revenue recognition requirements under GAAP, we must have very precise terms in our contracts to recognize revenue when we initially provide access to our survey platform or other products. Although we strive to enter into agreements that meet the criteria under GAAP for current revenue recognition on delivered performance obligations, our agreements are often subject to negotiation and revision based on the demands of our customers. The final terms of our agreements sometimes result in deferred revenue recognition, which may adversely affect our financial results in any given period. In addition, more customers may require extended payment terms, shorter term contracts or alternative licensing arrangements that could reduce the amount of revenue we recognize upon delivery of our other products and could adversely affect our short-term financial results.

Furthermore, the presentation of our financial results requires us to make estimates and assumptions that may affect revenue recognition. In some instances, we could reasonably use different estimates and assumptions, and changes in estimates are likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates.

Our credit facilities subject us to operating restrictions and financial covenants that impose risk of default and may restrict our business and financing activities.

Our credit facilities are subject to certain financial ratio and liquidity covenants, as well as restrictions that limit our ability, among other things, to:

- dispose of or sell our assets;
- make material changes in our business or management;
- consolidate or merge with other entities;
- incur additional indebtedness;
- create liens on our assets;
- pay dividends;
- make investments;
- enter into transactions with affiliates; and
- pay off or redeem subordinated indebtedness.

These covenants may restrict our ability to finance our operations and to pursue our business activities and strategies. Our ability to comply with these covenants may be affected by events beyond our control. If a default were to occur and is not waived, such default could cause, among other remedies, all of the outstanding indebtedness under our credit facilities to become immediately due and payable. In such an event, our liquid assets might not be sufficient to meet our repayment obligations, and we might be forced to liquidate collateral assets at unfavorable prices or our assets may be foreclosed upon and sold at unfavorable valuations.

Our ability to renew our existing term credit facility, which matures in September 2023, our existing revolving credit facility, which matures in September 2022, or to enter into a new credit facility to replace or supplement the existing facilities may be limited due to various factors, including the status of our business, global credit market conditions and perceptions of our business or industry by sources of financing. In addition, if credit is available, lenders may seek more restrictive covenants and higher interest rates that may reduce our borrowing capacity, increase our costs and reduce our operating flexibility.

If we do not have or are unable to generate sufficient cash available to repay our debt obligations when they become due and payable, either upon maturity or in the event of a default, we may not be able to obtain

additional debt or equity financing on favorable terms, if at all. Our inability to obtain financing may negatively impact our ability to operate and continue our business as a going concern.

Our business is subject to the risk of catastrophic events such as pandemics, earthquakes, flooding, fire and power outages, and to interruption by man-made problems such as terrorism.

Our business is vulnerable to damage or interruption from pandemics, earthquakes, flooding, fire, power outages, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. A significant natural disaster could have a material adverse effect on our business, results of operations and financial condition, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, acts of terrorism could cause disruptions in our or our publishers' and partners' businesses or the economy as a whole. Our servers may also be vulnerable to computer viruses, break-ins, denial-of-service attacks and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays and the loss of critical data. We may not have sufficient protection or recovery plans in some circumstances. As we rely heavily on our data center facilities, computer and communications systems and the internet to conduct our business and provide high-quality customer service, these disruptions could negatively impact our ability to run our business and either directly or indirectly disrupt publishers' and partners' businesses, which could have an adverse effect on our business, results of operations, and financial condition.

Unfavorable publicity and negative public perception about our industry, particularly concerns regarding data privacy and security relating to our industry's technology and practices, and perceived failure to comply with laws and industry self-regulation, could adversely affect our business and operating results.

With the growth of digital advertising, there is increasing awareness and concern among the general public, privacy advocates, mainstream media, governmental bodies and others regarding marketing, advertising and data privacy matters, particularly as they relate to individual privacy interests and the global reach of the online marketplace. Concerns about industry practices with regard to the collection, use and disclosure of personal information, whether or not valid and whether driven by applicable laws and regulations, industry standards, customer or inventory provider expectations, or the broader public, may harm our reputation, result in loss of goodwill and inhibit the use of our platform by current and future customers. Any unfavorable publicity or negative public perception about us, our industry, including our competitors, or even other data-focused industries, can affect our business and results of operations, and may lead to digital publishers or our customers changing their business practices or additional regulatory scrutiny or lawmaking that affects us or our industry. For example, in recent years, consumer advocates, mainstream media and elected officials have increasingly and publicly criticized the data and marketing industry for its collection, storage and use of personal data. Additional public scrutiny may lead to general distrust of our industry, consumer reluctance to share and permit use of personal data, increased consumer opt-out rates or increased private class actions, any of which could negatively influence, change or reduce our current and prospective customers' demand for our products and services, subject us to liability and adversely affect our business and operating results.

Our management team has limited experience managing a public company.

Most members of our management team have limited or no experience managing a publicly-traded company, interacting with public company investors, and complying with the increasingly complex laws, rules and regulations that govern public companies. There are significant obligations we will now be subject to relating to reporting, procedures and internal controls, and our management team may not successfully or efficiently manage our transition to being a public company. These new obligations and added scrutiny will require significant attention from our management and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, operating results and financial condition. We expect that compliance with these requirements will increase our compliance costs. We will need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting knowledge and will need to establish an internal audit function. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of these costs.

We also expect that being a public company will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our Audit Committee and Compensation Committee, and qualified executive officers.

We are subject to payment-related risks and, if our clients do not pay or dispute their invoices, our business, financial condition and operating results may be adversely affected.

Many of our contracts with advertising agencies provide that if the advertiser does not pay the agency, the agency is not liable to us, and we must seek payment solely from the advertiser. Contracting with these agencies, which in some cases have or may develop higher-risk credit profiles, may subject us to greater credit risk than if we were to contract directly with advertisers. This credit risk may vary depending on the nature of an advertising agency's aggregated advertiser base. We may also be involved in disputes with agencies and their advertisers over the operation of our platform, the terms of our agreements or our billings for purchases made by them through our platform. If we are unable to collect or make adjustments to bills to clients, we could incur write-offs for bad debt, which could have a material adverse effect on our results of operations for the periods in which the write-offs occur. In the future, bad debt may exceed reserves for such contingencies and our bad debt exposure may increase over time. Any increase in write-offs for bad debt could have a materially negative effect on our business, results of operations, and financial condition. Even if we are not paid by our clients on time or at all, we are still obligated to pay for the advertising we have purchased for the advertising campaign, and as a consequence, our results of operations and financial condition would be adversely impacted.

Furthermore, we are generally contractually required to pay suppliers of advertising inventory and data within a negotiated period of time, regardless of whether our customers pay us on time, or at all. While we attempt to negotiate long payment periods with our suppliers and shorter periods from our customers, we are not always successful. As a result, our accounts payable are often due on shorter cycles than our accounts receivables, requiring us to remit payments from our own funds, and accept the risk of bad debt.

Our revenue and operating results are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns and seasonality, particularly in the second and third quarters of our fiscal year, can make it difficult to predict our revenue and could adversely affect our business.

Our business depends on the overall demand for advertising and on the economic health of our current and prospective sellers and advertisers. If advertisers reduce their overall advertising spending, our revenue and results of operations are directly affected. For Colossus SSP, many advertisers devote a disproportionate amount of their advertising budgets to the third and fourth quarters of the calendar year to coincide with the annual holiday purchasing season, and buyers may spend more in the second and third quarters for seasonality and budget reasons. As a result, if any events occur to reduce the amount of advertising spending during the second, third or fourth quarters, or reduce the amount of inventory available to advertisers during that period, it could have a disproportionate adverse effect on our revenue and operating results for that fiscal year. Economic downturns or instability in political or market conditions generally may cause current or new advertisers to reduce their advertising budgets. Reductions in inventory due to loss of sellers would make our solution less robust and attractive to buyers. Adverse economic conditions and general uncertainty about economic recovery are likely to affect our business prospects. In particular, uncertainty regarding the impacts of COVID-19 on the economy in the United States may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of our solution, and expose us to increased credit risk on advertiser orders. Moreover, any changes in the favorable tax treatment of advertising expenses and the deductibility thereof would likely cause a reduction in advertising demand.

If the non-proprietary technology, software, products and services that we use are unavailable, have future terms we cannot agree to, or do not perform as we expect, our business, results of operations and financial condition could be harmed.

We depend on various technology, software, products and services from third parties or available as open source, including for critical features and functionality of our platform and technology, payment

processing, payroll and other professional services. Identifying, negotiating, complying with and integrating with third-party terms and technology are complex, costly and time-consuming matters. Failure by third-party providers to maintain, support or secure their technology either generally or for our accounts specifically, or downtime, errors or defects in their products or services, could materially and adversely impact our platform, our administrative obligations or other areas of our business. Having to replace any third-party providers or their technology, products or services could result in outages or difficulties in our ability to provide our services, which could have a material adverse effect on our business, results of operations and financial condition.

If the use of third-party "cookies," mobile device IDs or other tracking technologies is restricted without similar or better alternatives, our platform's effectiveness could be diminished and our business, results of operations, and financial condition could be adversely affected.

We use "cookies," which are small text files placed on consumer devices when an internet browser is used, and mobile device identifiers, to gather data that enables our platform to be more effective. Our cookies and mobile device IDs do not identify consumers directly, but record information such as when a consumer views or clicks on an advertisement, when a consumer uses a mobile app, the consumer's location, consumer demographic, psychographic interest and browser or other device information. Publishers and partners may also choose to share their information about consumers' interests or give us permission to use their cookies and mobile device IDs. We use data from cookies, mobile device IDs, and other tracking technologies to help advertisers decide whether to bid on, and how to price, an ad impression in a certain location, at a given time or for a particular consumer. Without cookies, mobile device IDs and other tracking technology data, transactions processed through our platform would be executed with less insight into consumer activity, reducing the precision of advertisers' decisions about which impressions to purchase for an advertising campaign. This could make placement of advertising through our platform less valuable and harm our revenue. If our ability to use cookies, mobile device IDs or other tracking technologies is limited, we may be required to develop or obtain additional applications and technologies to compensate for the lack of cookies, mobile device IDs and other tracking technology data, which could be time consuming or costly to develop, less effective and subject to additional regulation.

Some consumers also download free or paid "ad blocking" software on their computers or mobile devices, not only for privacy reasons, but also to counteract the adverse effect advertisements can have on the consumer experience, including increased load times, data consumption and screen overcrowding. Ad-blocking technologies and other global privacy controls may prevent some third-party cookies, or other tracking technologies, from being stored on a consumer's computer or mobile device. If more consumers adopt these measures, our business, results of operations, and financial condition could be adversely affected. Ad-blocking technologies could have an adverse effect on our business, results of operations and financial condition if they reduce the volume or effectiveness and value of advertising. In addition, some ad-blocking technologies block only ads that are targeted through use of third-party data, while allowing ads based on first-party data (i.e., data owned by the publisher). These ad blockers could place us at a disadvantage because we rely on third-party data, while some large competitors have a significant amount of first-party data they use to direct advertising. Other technologies allow ads that are deemed "acceptable," which could be defined in ways that place us or our publishers at a disadvantage, particularly if such technologies are controlled or influenced by our competitors. Even if ad blockers do not ultimately have an adverse effect on our business, investor concerns about ad blockers could cause our stock price to decline.

Additionally, in January 2020, Alphabet Inc.'s Google subsidiary ("Alphabet") announced that its Chrome web browser would be removing support for third-party cookies by 2023. In March 2021, Alphabet announced that it would not build alternate identifiers to track individuals as they browse across the web, nor would Google use them in its products. These changes, and other privacy controls that may be put in place by other web companies in the future, have the potential to have an adverse effect on our business, results of operations, and financial condition if they reduce the volume or effectiveness and value of advertising.

Market pressure may reduce our revenue per impression.

Our revenue may be affected by market changes, new demands by publishers and buyers, removal of cookies usage from the existing value chain, new solutions and competitive pressure. Our solutions may be

priced too high or too low, either of which may carry adverse consequences. We may receive requests from publishers for discounts, fee revisions, rebates and refunds, or from DSPs, agencies and advertisers for volume discounts, fee revisions and rebates. Any of these developments could adversely affect our business, results of operations or financial condition. Any failure for our pricing approaches to gain acceptance could adversely affect our business, results of operations and financial condition.

We face potential liability and harm to our business based on the human factor of inputting information into our platform.

We or our customers set up campaigns on our platform using a number of available variables. While our platform includes several checks and balances, it is possible for human error to result in significant over-spending. We offer a number of protections such as daily or overall spending caps. However, despite these protections, the risk of overspend exists. For example, campaigns which last for a period of time can be set to pace evenly or as quickly as possible. If a customer with a high credit limit enters an incorrect daily cap with a campaign set to a rapid pace, it is possible for a campaign to accidently go significantly over budget. Our potential liability for such errors may be higher when they occur in situations in which we are executing purchases on behalf of a customer rather than the customer using the self-service feature of our platform. While our customer contracts state that customers are responsible for media purchased through our platform, we are ultimately responsible for paying the inventory providers and we may be unable to collect when such errors occur.

If we are unable to successfully execute our strategies and continue to develop and sell the services and solutions our customers demand, our business, results of operations and financial condition may suffer.

We must adapt to rapidly changing customer demands and preferences in order to successfully execute our strategies. This requires us to anticipate and respond to customer demands and preferences, address business model shifts, optimize our go-to-market execution by improving our cost structure, align sales coverage with strategic goals, improve channel execution and strengthen our services and capabilities in our areas of strategic focus. Any failure to successfully execute our strategies, including any failure to invest in strategic growth areas, could adversely affect our business, financial condition and results of operations.

We have a limited operating history and, as a result, our past results may not be indicative of future operating performance.

We have a limited operating history with the current scale of our business, which makes it difficult to forecast our future results. You should not rely on our past quarterly or annual results of operations as indicators of future performance. You should consider and evaluate our prospects in light of the risks and uncertainty frequently encountered by companies like ours.

The loss, modification or delay of large or multiple contracts may negatively impact our financial performance.

Our contracts have generally been for terms of relatively short duration. Additionally, our clients generally will have the ability to delay the execution of services, reduce the number of hours that services require, and terminate their contracts with us upon a short notice for convenience and upon the occurrence of certain defined events, such as “for cause.” The loss or delay of a large contract or multiple contracts could adversely and materially affect our operating results.

Our clients include destination marketing organizations (“DMOs”), which often operate as public/private partnerships involving a national, provincial, state and local governmental entity.

Our work for DMOs carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government entities typically fund projects through appropriated monies and demand is affected by public sector budgetary cycles and funding authorizations. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination.

- Government contracts are subject to heightened reputational and contractual risks compared to contracts with commercial clients. For example, government contracts and the proceedings surrounding them are often subject to more extensive scrutiny and publicity. Negative publicity, including an allegation of improper or illegal activity, regardless of its accuracy, or challenges to government contracts awarded to us, may adversely affect our reputation.
- Government contracts can be challenged by other interested parties and such challenges, even if unsuccessful, can increase costs, cause delays and defer project implementation and revenue recognition.
- Terms and conditions of government contracts also tend to be more onerous and difficult to negotiate. For example, these contracts often contain high liability for breaches and feature less favorable payment terms and sometimes require us to take on liability for the performance of third parties.
- Political and economic factors such as pending elections, the outcome of elections, changes in leadership among key executive or legislative decision makers, revisions to governmental tax or other policies and reduced tax revenues can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that we bid, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed.
- If a government client discovers improper or illegal activities during audits or investigations, we may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities.
- U.S. government contracting regulations impose strict compliance and disclosure obligations. Disclosure is required if certain company personnel have knowledge of "credible evidence" of a violation of federal criminal laws involving fraud, conflict of interest, bribery or improper gratuity, a violation of the civil U.S. False Claims Act or receipt of a significant overpayment from the government. Failure to make required disclosures could be a basis for suspension and/or debarment from federal government contracting in addition to breach of the specific contract and could also impact contracting beyond the U.S. federal level. Reported matters also could lead to audits or investigations and other civil, criminal or administrative sanctions.

The occurrences or conditions described above could affect not only our business with the DMOs and related government entities involved, but also our business with other entities of the same or other governmental bodies or with certain commercial clients and could have a material and adverse effect on our business, results of operations, and financial condition.

We invest significantly in development, and to the extent our development investments do not translate into new solutions or material enhancements to our current solutions, or if we do not use those investments efficiently, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our development efforts to improve and develop our software and the features and functionality for our platform. If we do not spend our development budget efficiently or effectively, our business may be harmed and we may not realize the expected benefits of our strategy. Moreover, development projects can be technically challenging, time-consuming and expensive. The nature of these development cycles may cause us to experience delays between the time we incur expenses associated with development and the time we are able to offer compelling platform updates and generate revenue, if any, from such investment. Additionally, anticipated enterprise demand for solutions we are developing could decrease after the development cycle has commenced, and we would nonetheless be unable to avoid substantial costs associated with the development of any such solutions. If we expend a significant amount of resources on development and our efforts do not lead to the successful introduction or

improvement of solutions that are competitive in our current or future markets, our business and results of operations would be adversely affected.

We must provide value to both publishers and buyers of advertising without being perceived as favoring one over the other or being perceived as competing with them through our service offerings.

We provide a platform that intermediates between publishers seeking to sell advertising space and buyers seeking to purchase that space. If we were to be perceived as favoring one side of the transaction to the detriment of the other, or presenting a competitive challenge to their own businesses, demand for our platform from publishers or buyers would decrease and our business, results of operations and financial condition would be adversely affected.

Future acquisitions or strategic investments could be difficult to identify and integrate, divert the attention of management, and could disrupt our business, dilute stockholder value and adversely affect our business, results of operations and financial condition.

As part of our growth strategy, we may acquire or invest in other businesses, assets or technologies that are complementary to and fit within our strategic goals. Any acquisition or investment may divert the attention of management and require us to use significant amounts of cash, issue dilutive equity securities or incur debt. In addition, the anticipated benefits of any acquisition or investment may not be realized, and we may be exposed to unknown risks, any of which could adversely affect our business, results of operations and financial condition, including risks arising from:

- difficulties in integrating the operations, technologies, product or service offerings, administrative systems and personnel of acquired businesses, especially if those businesses operate outside of our core competency or geographies in which we currently operate;
- ineffectiveness or incompatibility of acquired technologies or solutions;
- potential loss of key employees of the acquired business;
- inability to maintain key business relationships and reputation of the acquired business;
- diversion of management attention from other business concerns;
- litigation arising from the acquisition or the activities of the acquired business, including claims from terminated employees, customers, former stockholders or other third parties;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights, or increase our risk of liability;
- complications in the integration of acquired businesses or diminished prospects, including as a result of the COVID-19 pandemic and its global economic effects;
- failure to generate the expected financial results related to an acquisition on a timely manner or at all;
- failure to accurately forecast the impact of an acquisition transaction; and
- implementation or remediation of effective controls, procedures, and policies for acquired businesses.

To fund future acquisitions, we may pay cash or issue additional shares of our Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock, which could dilute our stockholders or diminish our cash reserves. Borrowing to fund an acquisition would result in increased fixed obligations and could also subject us to covenants or other restrictions that could limit our ability to effectively run our business.

Risks Related to Legal and Regulatory

Our business is subject to numerous legal and regulatory requirements and any violation of these requirements or any misconduct by our employees, subcontractors, agents or business partners could harm our business and reputation.

In addition to government contract procurement laws and regulations, we are subject to numerous other federal, state and foreign legal requirements on matters as diverse as data privacy and protection,

employment and labor relations, immigration, taxation, anti-corruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for work and allegations by our customers that we have not performed our contractual obligations.

Misconduct by our employees, subcontractors, agents or business partners could subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which could adversely affect our business, financial condition and results of operations. Such misconduct could include fraud or other improper activities such as falsifying time or other records, failure to comply with our policies and procedures or violations of applicable laws and regulations.

Changes in legislative, judicial, regulatory or cultural environments relating to information collection, use and processing may limit our ability to collect, use and process data. Such developments could cause revenue to decline, increase the cost of data, reduce the availability of data and adversely affect the demand for our products and services.

We receive, store and process personal information and other data from and about consumers in addition to personal information and other data from and about our customers, employees and services providers. Our handling of this data is subject to a wide variety of federal, state and foreign laws and regulations and is subject to regulation by various government authorities and consumer actions. Our data handling is also subject to contractual obligations and may be deemed to be subject to industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed laws relating to the collection, disclosure, processing, use, storage and security of data relating to individuals and households, including the use of contact information and other data for marketing, advertising and other communications with individuals and businesses. In the U.S., various laws and regulations apply to the collection, disclosure, processing, use, storage and security of certain types of data. Additionally, the FTC, many state attorneys general and many courts are interpreting federal and state consumer protection laws as imposing standards for the collection, disclosure, process, use, storage and security of data. The regulatory framework for data privacy issues worldwide is complex, continually evolving and often conflicting, and is likely to remain uncertain for the foreseeable future. The occurrence of unanticipated events often rapidly drives the adoption of legislation or regulation affecting the use, collection or other processing of data and manner in which we conduct our business. As a result, further restrictions could be placed upon the collection, disclosure, processing, use, storage and security of information, which could result in a material increase in the cost of obtaining certain kinds of data and could limit the ways in which we may collect, disclose, process, use, store or secure information.

U.S. federal and state legislatures, along with federal regulatory authorities, have recently increased their focus on matters concerning the collection and use of consumer data, including relating to interest-based advertising, or the use of data to draw inferences about a user's interests and deliver relevant advertising to that user, and similar or related practices, such as cross-device data collection and aggregation, and steps taken to de-identify personal data and to use and distribute the resulting data, including for purposes of personalization and the targeting of advertisements. In the U.S., non-sensitive consumer data generally may be used under current rules and regulations, subject to certain restrictions, including relating to transparency and affirmative "opt-out" rights of the collection or use of such data in certain instances. To the extent additional opt-out rights are made available in the U.S., additional regulations are imposed, or if an "opt-in" model were to be adopted, less data would be available, the cost of data and compliance would be higher, or we could be required to modify our data processing practices and policies.

While our platform and people-based framework operates primarily in the United States, some of our operations may subject us to data privacy laws outside the United States.

We are subject to evolving laws and regulations that dictate whether, how and under what circumstances we, or our data processors, may transfer, process and/or receive certain data, including data shared between countries or regions in which we operate and data shared among our products and services. If one or more of the legal bases for transferring data to the U.S. is invalidated, if we are unable to transfer or receive data between and among countries and regions in which we operate, or if we are prohibited from sharing data among our products and services, it could affect the manner in which we provide our services or adversely affect our financial results.

In addition to government regulation, self-regulatory standards and other industry standards may legally or contractually apply to us or be argued to apply to us, or we may elect to comply with such standards or to facilitate our customers' compliance with such standards. Because privacy, data protection and information security are competitive factors in our industry, we require the advertising publishers participating in our DDP to provide all consumers with notice about our use of cookies and other technologies to execute the collection of consumer data and of the collection and use of consumer data for certain purposes, and to provide consumers with certain choices relating to the use of consumer data. Some of these self-regulatory bodies have the ability to discipline members or participants, which could result in fines, penalties, and/or public censure of our publishers, which could in turn cause reputational harm to us. Additionally, some of these self-regulatory bodies might refer violations of their requirements to the Federal Trade Commission or other regulatory bodies, which could similarly implicate us.

Regulatory investigations and enforcement actions could also impact us. In the U.S., the FTC uses its enforcement powers under Section 5 of the Federal Trade Commission Act (which prohibits "unfair" and "deceptive" trade practices) to investigate companies engaging in online tracking and the processing of consumer personal information more generally. Advocacy organizations have also filed complaints with data protection authorities against advertising technology companies, arguing that certain of these companies' practices do not comply with the General Data Protection Regulation ("GDPR"). It is possible that investigations or enforcement actions will involve our practices or practices similar to ours.

In May 2018, the European Union's GDPR went into effect, and together with national legislation, regulations and guidelines of the EU, UK and Switzerland, ushered in a new and complex data protection regime including principles, rights and obligations with extraterritorial reach of EU, UK and Swiss data protection authorities. The European data protection and security laws, including GDPR, provide for extensive data subject rights, robust obligations on data controllers and processors and additional requirements on businesses to put in place data protection and security compliance programs, systems and processes. Continued evolution of, and varied implementation and interpretation of such European data protection and security laws has increased, and continues to extend. Among other requirements, the GDPR (and its UK equivalent commonly referred to as "UK GDPR") regulates transfers of personal data (subject to such laws) from the European Economic Area ("EEA") and the UK to the U.S. as well as other third countries outside EEA and the UK which are deemed not to provide adequate standards of data protection to the levels required by GDPR. The GDPR and UK GDPR also impose numerous privacy-related obligations and requirements for companies operating in the EU and the UK including requiring data controllers not to transfer personal data to US-based processors unless they agree to certain legally binding processing obligations, greater control for data subjects (for example, the "right to be forgotten"), increased data portability for EU and UK consumers, data breach notification requirements and exposure to substantial fines for non-compliance. Under the GDPR and UK GDPR, fines of up to 20 million euros or 4% of the annual global revenue of the non-compliant company, whichever is greater, could be imposed for violations of certain of the GDPR's and UK GDPR's requirements. Such penalties are in addition to any civil litigation claims by customers and data subjects. The frequency and quantum of fines imposed by EU and UK data protection regulators under GDPR and UK GDPR has been increasing since 2019. Accordingly, the costs of complying with the GDPR, UK GDPR and other foreign data privacy regulatory regimes may make our expansion into these markets less profitable or uneconomical, limiting our potential growth, and potentially adversely affecting our business, prospectus and results of operations.

Our legal risk depends in part on our customers' or other third parties' adherence to privacy laws and regulations and their use of our services in ways consistent with end user expectations. We rely on representations made to us by customers and data suppliers that they will comply with all applicable laws, including all relevant privacy and data protection regulations. Although we make reasonable efforts to enforce

such representations and contractual requirements, we do not fully audit our customers' or data suppliers' compliance with our recommended disclosures or their adherence to privacy laws and regulations. If our customers or data suppliers fail to adhere to our expectations or contracts in this regard, we and our customers or data suppliers could be subject to adverse publicity, damages, and related possible investigation or other regulatory activity.

Because the interpretation and application of privacy and data protection laws, regulations and standards are uncertain, it is possible that these laws, regulations and standards may be interpreted and applied in manners that are, or are asserted to be, inconsistent with our data management practices or the technological features of our products and services. If so, in addition to the possibility of fines, investigations, lawsuits and other claims and proceedings, it may be necessary or desirable for us to fundamentally change our business activities and practices or modify our products and services, which could have an adverse effect on our business. We may be unable to make such changes or modifications in a commercially reasonable manner or at all. Any inability to adequately address privacy concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy or data protection laws, regulations, standards or policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, standards and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our platform. Privacy concerns, whether valid or not valid, may inhibit market adoption of our platform particularly in certain industries and foreign countries.

Changes in the regulation of the internet could adversely affect our business.

Laws, rules and regulations governing internet communications, advertising and e-commerce are dynamic and the extent of future government regulation with respect thereto is uncertain. Federal and state regulations govern various aspects of our online business, including intellectual property ownership and infringement, trade secrets, the distribution of electronic communications, marketing and advertising, user privacy and data security, search engines and internet tracking technologies. In addition, changes in laws or regulations that adversely affect the growth, popularity or use of the internet, including potentially the recent repeal in the United States of net neutrality, could decrease the demand for our offerings and increase our cost of doing business. Future taxation on the use of the internet or e-commerce transactions could also be imposed. Future taxation on the use of the internet or e-commerce transactions could also be imposed. Existing or future regulation or taxation could hinder growth or adversely affect the use of the internet, including the viability of internet e-commerce, which could reduce our revenue, increase our operating expenses and expose us to significant liabilities.

We are subject to anti-bribery, anti-corruption and similar laws and non-compliance with such laws can subject us to criminal penalties or significant fines and harm our business and reputation.

We are subject to anti-bribery and similar laws, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the USA PATRIOT Act, U.S. Travel Act, the U.K. Bribery Act 2010 and Proceeds of Crime Act 2002, and possibly other anti-corruption, anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws have been enforced with great rigor in recent years and are interpreted broadly and prohibit companies and their employees and their agents from making or offering improper payments or other benefits to government officials and others in the private sector. The FCPA or other applicable anti-corruption laws may also hold us liable for acts of corruption or bribery committed by our third-party business partners, representatives and agents, even if we do not authorize such activities. As we increase our international sales and business, and increase our use of third parties, our risks under these laws will increase. As a public company, the FCPA separately requires that we keep accurate books and records and maintain internal accounting controls sufficient to assure management's control, authority and responsibility over our assets. We have adopted policies and procedures and conduct training designed to prevent improper payments and other corrupt practices prohibited by applicable laws, but cannot guarantee that improprieties will not occur. Noncompliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with specified persons, the loss of export privileges, reputational harm, adverse media coverage and other collateral

consequences. Any investigations, actions and/or sanctions could have an adverse effect on our business, results of operations and financial condition.

We rely on licenses to use the intellectual property rights of third parties to conduct our business.

We rely on products, technologies and intellectual property that we license from third parties for use in operating our business. We cannot assure you that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that our suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to operate and expand our business could be harmed.

Risks Related to Our Organizational Structure

We will be a holding company and our principal asset after the completion of this offering will be our equity interests in DDH LLC, and, accordingly, we will depend on distributions from DDH LLC to pay our taxes, expenses and dividends.

Upon the closing of this offering, we will be a holding company and will have no material assets other than our ownership of LLC Units of DDH LLC. As such, we will have no independent means of generating net sales or cash flow, and our ability to pay our taxes and operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of DDH LLC and its subsidiaries and distributions we receive from DDH LLC. DDH LLC and its subsidiaries may not generate sufficient cash flow to distribute funds to us and applicable state law and contractual restrictions, including negative covenants in our debt instruments, may not permit such distributions.

We anticipate that DDH LLC will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Units, including us. Accordingly, we will incur income taxes on our allocable share of any net taxable income of DDH LLC and will also incur expenses related to our operations, including payments under the Tax Receivable Agreement, which could be significant. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for additional information. Furthermore, our allocable share of DDH LLC's net taxable income will increase over time as the Continuing LLC Owners redeem or exchange their LLC Units for shares of our Class A common stock.

We intend, as its managing member, to cause DDH LLC to make cash distributions to the owners of LLC Units, including us, in an amount sufficient to (i) fund their or our tax obligations in respect of allocations of taxable income from DDH LLC and (ii) cover our operating expenses, including payments under the Tax Receivable Agreement. However, DDH LLC's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which DDH LLC is then a party, including debt agreements, or any applicable law. In addition, liability for adjustments to a partnership's tax return for taxable years beginning after December 31, 2017, can be imposed on the partnership itself in certain circumstances, absent an election to the contrary. DDH LLC could be subject to material liabilities pursuant to adjustments to its partnership tax returns if, for example, its calculations or allocations of taxable income or loss are incorrect, which also could limit its ability to make distributions to us.

If we do not have sufficient funds to pay taxes or other liabilities or to fund our operations, we may have to borrow funds, which could adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments generally will be deferred and will possibly accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the Tax Receivable Agreement and therefore accelerate

payments due thereunder. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for more information. In addition, if DDH LLC does not have sufficient funds to make distributions, our ability to declare and pay cash dividends will also be restricted or impaired.

DDH LLC may make cash distributions to us substantially in excess of the amounts we use to make distributions to our stockholders and pay our expenses. To the extent we do not distribute such excess cash as dividends on our Class A common stock, the Continuing LLC Owners would benefit from such cash as a result of their ownership of Class A common stock upon an exchange or redemption of their LLC Units.

Following the completion of this offering, we will receive a portion of any distributions made by DDH LLC. Any cash received from such distributions will first be used by us to satisfy any tax liability and then to make any payments required under the Tax Receivable Agreement. Subject to having available cash and subject to limitations imposed by applicable law and contractual restrictions (including pursuant to our debt instruments), the DDH LLC Agreement requires DDH LLC to make certain distributions to us and the Continuing LLC Owners, pro rata, to facilitate the payment of taxes with respect to the income of DDH LLC that is allocated to us and them to the extent that other distributions made by DDH LLC are otherwise insufficient to pay the tax liabilities of holders of LLC Units. These distributions are based on an assumed tax rate, and to the extent the distributions we receive exceed the amounts we actually require to pay taxes, Tax Receivable Agreement payments and other expenses, we will not be required to distribute such excess cash. Our board of directors may, in its sole discretion, choose to use such excess cash for any purpose, including (i) to make distributions to the holders of our Class A common stock, (ii) to acquire additional newly issued LLC Units, and/or (iii) to repurchase outstanding shares of our Class A common stock. Unless and until our board of directors chooses, in its sole discretion, to declare a distribution, we will have no obligation to distribute such cash (or other available cash other than any declared dividend) to our stockholders.

No adjustments to the redemption or exchange ratio of LLC Units for shares of our Class A common stock will be made as a result of either (i) any cash distribution by us or (ii) any cash that we retain and do not distribute to our stockholders. To the extent we do not distribute such cash as dividends on our Class A common stock and instead, for example, hold such cash balances, buy additional LLC Units or lend them to DDH LLC, this may result in shares of our Class A common stock increasing in value relative to the LLC Units. The holders of LLC Units may benefit from any value attributable to such cash balances if they acquire shares of Class A common stock in redemption of or exchange for their LLC Units or if we acquire additional LLC Units (whether from DDH LLC or from holders of LLC Units) at a price based on the market price of our Class A common stock at the time. See the section titled *"Certain Relationships and Related Person Transactions — DDH LLC Agreement"* and *"Dividend Policy"* for further information.

The Tax Receivable Agreement with the Continuing LLC Owners and DDH LLC requires us to make cash payments to them in respect of certain tax benefits to which we may become entitled. In certain circumstances, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual tax benefits we realize.

Upon the closing of this offering, we will be a party to the Tax Receivable Agreement with DDH LLC and each of the Continuing LLC Owners. Under the Tax Receivable Agreement, we will be required to make cash payments to the Continuing LLC Owners equal to 85% of the tax benefits, if any, that we actually realize, or in certain circumstances, are deemed to realize (calculated using certain assumptions) as a result of (i) increases in the tax basis of assets of DDH LLC resulting from (a) any future redemptions or exchanges of LLC Units described under "*Certain Relationships and Related Person Transactions — DDH LLC Agreement — LLC Unit Redemption Right*" and (b) payments under the Tax Receivable Agreement and (ii) certain other tax benefits arising from payments under the Tax Receivable Agreement. See the section titled *"Certain Relationships and Related Person Transactions — Tax Receivable Agreement"* for more information. While the actual amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the redemption or exchange, the extent to which such redemptions or exchanges are taxable, future tax rates, and the amount and timing of our taxable income (prior to taking into account the tax depreciation or amortization deductions arising from the basis adjustments), we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of DDH LLC attributable to our interests in DDH LLC, during the expected term of the Tax Receivable

Agreement, the payments that we may make to the Continuing LLC Owners could be significant. See the section titled *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Tax Receivable Agreement"* for further information.

Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, and the Internal Revenue Service (the "IRS") or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions we take, and a court could sustain such challenge. The Continuing LLC Owners who are parties to the Tax Receivable Agreement will not reimburse us for any payments previously made under the Tax Receivable Agreement if such basis increases or other benefits are subsequently disallowed, except that any excess payments made by us to the Continuing LLC Owners under the Tax Receivable Agreement will be netted against future payments that we might otherwise be required to make to the Continuing LLC Owners under the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there might not be sufficient future cash payments against which the prior payments can be fully netted. The applicable U.S. federal income tax rules are complex and factual in nature, and there can be no assurance that the IRS or a court will not disagree with our tax reporting positions. Therefore, payments could be made under the Tax Receivable Agreement in excess of the tax savings that we realize in respect of the tax attributes with respect to the Continuing LLC Owners that are the subject of the Tax Receivable Agreement (the "Tax Attributes"). See the section titled *"Certain Relationships and Related Person Transactions — Tax Receivable Agreement."*

Finally, the Tax Receivable Agreement also provides that, upon certain mergers, asset sales or other forms of business combination or certain other changes of control, our (or our successor's) obligations with respect to tax benefits would be based on certain assumptions, including that we (or our successor) would have sufficient taxable income to utilize the benefits arising from the increased tax deductions and tax basis and other benefits covered by the Tax Receivable Agreement. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by us may be significantly less than the corresponding Tax Receivable Agreement payments. Our accelerated payment obligations and/or assumptions adopted under the Tax Receivable Agreement in the case of a change of control may impair our ability to consummate a change of control transaction or negatively impact the value received by owners of our Class A common stock in a change of control transaction.

If we were deemed to be an investment company under the 1940 Act as a result of our ownership of DDH LLC, applicable restrictions could make it impractical for us to continue our business as contemplated and could adversely affect our business, results of operations and financial condition.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

As the sole managing member of DDH LLC, we will control and operate DDH LLC. On that basis, we believe that our interest in DDH LLC is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of DDH LLC, our interest in DDH LLC could be deemed an "investment security" for purposes of the 1940 Act.

We and DDH LLC intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could adversely affect our business, results of operations and financial condition.

Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the Continuing LLC Owners that will not benefit the Class A Common stockholders to the same extent as they will benefit the Continuing LLC Owners.

Our organizational structure, including the Tax Receivable Agreement, confers certain benefits upon the Continuing LLC Owners that will not benefit the holders of our Class A common stock to the same extent. We will enter into a Tax Receivable Agreement with DDH LLC and the Continuing LLC Owners that exchange their LLC Units, which will provide for the payment by us to the Continuing LLC Owners, collectively, of 85% of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of the Tax Attributes. Due to the uncertainty of various factors, we cannot precisely quantify the likely tax benefits we will realize as a result of purchases of LLC Units and LLC Unit exchanges and the resulting amounts we are likely to pay out to the Continuing LLC Owners pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. See "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for more information. Although we will retain 15% of the amount of such tax benefits that are actually realized, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock. In addition, our organizational structure, including the Tax Receivable Agreement, will impose additional compliance costs and require a significant commitment of resources that would not be required of a company with a simpler organizational structure.

We may not be able to realize all or a portion of the tax benefits that are currently expected to result from the Tax Attributes covered by the Tax Receivable Agreement and from payments made under the Tax Receivable Agreement.

Our ability to realize the tax benefits that we currently expect to be available as a result of the Tax Attributes, the payments made pursuant to the Tax Receivable Agreement, and the interest deductions imputed under the Tax Receivable Agreement all depend on a number of assumptions, including that we earn sufficient taxable income each year during the period over which such deductions are available and that there are no adverse changes in applicable law or regulations. Additionally, if our actual taxable income were insufficient or there were additional adverse changes in applicable law or regulations, we may be unable to realize all or a portion of the expected tax benefits and our cash flows and stockholders' equity could be negatively affected. See "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for more information.

DDH is controlled by the Continuing LLC Owners, whose interests may differ from those of our public stockholders.

Immediately following the completion of this offering and the application of net proceeds from this offering, the Continuing LLC Owners will control approximately % of the combined voting power of our common stock through their ownership of Class B common stock. These Continuing LLC Owners will, for the foreseeable future, be able to substantially influence us through their ownership position over corporate management and affairs, and will be able to control virtually all matters requiring stockholder approval. These Continuing LLC Owners will be able to, subject to applicable law, elect a majority of the members of our board of directors and control actions to be taken by us and our board of directors, including amendments to our certificate of incorporation and bylaws and approval of significant corporate transactions, including mergers and sales of substantially all of our assets. The directors so elected will have the authority, subject to the terms of our indebtedness and applicable rules and regulations, to issue additional stock, implement stock repurchase programs, declare dividends and make other decisions. It is possible that the interests of these Continuing LLC Owners may in some circumstances conflict with our interests and the interests of our other stockholders, including you. For example, these Continuing LLC Owners may have different tax positions from us, especially in light of the Tax Receivable Agreement, which could influence our decisions regarding whether and when to dispose of assets, whether and when to incur new or refinance existing indebtedness, and whether and when DDH should terminate the Tax Receivable Agreement and accelerate its obligations thereunder. In addition, the determination of future tax reporting positions and the structuring of future transactions may take into consideration these Continuing LLC Owners' tax or other considerations, which may differ from the considerations of us or our other

stockholders. See the section titled *"Certain Relationships and Related Person Transactions — Tax Receivable Agreement"* for more information.

Risks Related to Owning our Class A Common Stock

If you purchase shares of our Class A common stock in this offering, your investment will experience immediate dilution.

We expect the initial public offering price of our Class A common stock to be substantially higher than the pro forma net tangible book value per share of our Class A common stock following this offering based on the total value of our tangible assets less our total liabilities. Therefore, if you purchase shares of our Class A common stock in this offering, you will pay a price per share that substantially exceeds our pro forma net tangible book value per share after this offering. Based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, you will experience immediate dilution of $ per share, representing the difference between our pro forma as adjusted net tangible book value per share as of September 30, 2021, after giving effect to the issuance of shares of our Class A common stock in this offering. To the extent current or future outstanding equity awards are settled in shares of our capital stock, you will incur further dilution. Furthermore, if the underwriters exercise their option to purchase additional shares or outstanding options are exercised, you could experience further dilution. For a further description of the dilution that you will experience immediately after this offering, see the section titled "*Dilution*" for more information.

If we fail to maintain or implement effective internal controls, we may not be able to report financial results accurately or on a timely basis, or to detect fraud, which could have a material adverse effect on our business and the per share price of our Class A common stock.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures, and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of management reports and independent registered public accounting firm audits of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures, and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the market price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Capital Market.

We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. Our independent registered public accounting firm is not required to audit the effectiveness of our internal control over financial reporting until after we are no longer an "emerging growth company," as defined in the JOBS Act. At such time, our

independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business and operating results and cause a decline in the market price of our Class A common stock.

Sales of substantial blocks of our Class A common stock into the public market after this offering, including when "lock-up" or "market standoff" periods end, or the perception that such sales might occur, could cause the market price of our Class A common stock to decline.

Sales of substantial blocks of our Class A common stock into the public market after this offering, including when "lock-up" or "market standoff" periods end, or the perception that such sales might occur, could cause the market price of our Class A common stock to decline and may make it more difficult for you to sell your Class A common stock at a time and price that you deem appropriate. Upon completion of this offering, we will have shares of Class A common stock outstanding (assuming no exercise of the underwriters' option to purchase additional shares). All of the shares of Class A common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our "affiliates" as defined in Rule 144 under the Securities Act.

Subject to exceptions described in the section titled "*Underwriting*," we, all of our directors and officers and all of the other holders of our capital stock and securities convertible into, or exchangeable for, our capital stock, have agreed not to offer, sell or agree to sell, directly or indirectly, any shares of Class A common stock without the permission of the representatives of the underwriters for a period of 180 days from the date of this prospectus. When the applicable lock-up period expires, we, our directors and officers and locked-up equity holders will be able to sell shares into the public market.

We also intend to register the offer and sale of all shares of Class A common stock that we may issue under our equity compensation plans.

There has been no public market for our Class A common stock prior to this offering, and an active market in which investors can resell their shares of our Class A common stock may not develop.

Prior to this offering, there has been no public market for our Class A common stock. We cannot predict the extent to which an active market for our Class A common stock will develop or be sustained after this offering, or how the development of such a market might affect the market price of our Class A common stock. The initial public offering price of our shares in this offering has been agreed to between us and the underwriters based on a number of factors, including market conditions in effect around the time of this offering, and it may not be in any way indicative of the price at which the shares of our Class A common stock will trade following the completion of this offering. Accordingly, investors may not be able to resell their shares of our Class A common stock at or above the initial public offering price.

We may experience fluctuations in our operating results, which could make our future operating results difficult to predict or cause our operating results to fall below analysts' and investors' expectations.

Our quarterly and annual operating results have fluctuated in the past and we expect our future operating results to fluctuate due to a variety of factors, many of which are beyond our control. Fluctuations in our operating results could cause our performance to fall below the expectations of analysts and investors, and adversely affect the price of our Class A common stock. Because our business is changing and evolving rapidly, our historical operating results may not be necessarily indicative of our future operating results. Factors that may cause our operating results to fluctuate include the following:

- changes in demand for our platform, including related to the seasonal nature of spending on digital advertising campaigns;
- changes in our pricing policies, the pricing policies of our competitors and the pricing or availability of inventory, data or of other third-party services;

- changes in our customer base and platform offerings;
- the addition or loss of customers;
- changes in advertising budget allocations, agency affiliations or marketing strategies;
- changes to our product, media, customer or channel mix;
- changes and uncertainty in the regulatory environment for us, advertisers or publishers;
- changes in the economic prospects of advertisers or the economy generally, which could alter advertisers' spending priorities, or could increase the time or costs required to complete advertising inventory sales;
- the possible effects of the widespread domestic and global impact of the COVID-19 pandemic, including on general economic conditions, public health and consumer demand and financial markets;
- changes in the availability of advertising inventory through real-time advertising exchanges or in the cost of reaching end consumers through digital advertising;
- disruptions or outages on our platform;
- the introduction of new technologies or offerings by our competitors;
- changes in our capital expenditures as we acquire the hardware, equipment and other assets required to support our business;
- timing differences between our payments for advertising inventory and our collection of related advertising revenue;
- the length and unpredictability of our sales cycle; and
- costs related to acquisitions of businesses or technologies, or employee recruiting.

Based upon the factors above and others beyond our control, we have a limited ability to forecast our future revenue, costs and expenses, and as a result, our operating results may, from time to time, fall below our estimates or the expectations of analysts and investors.

Seasonal fluctuations in advertising activity could have a material impact on our revenue, cash flow and operating results.

Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of our customers' spending on advertising campaigns. Pricing of digital ad impressions in the fourth quarter is likely to be higher due to increased demand. In addition, adverse economic conditions or economic uncertainty may cause advertisers to decrease purchases of digital ad impressions, adversely affecting our revenue and results of operations. For example, if Google and Facebook become the preferred destinations for advertisers, lower demand for ad impressions processed on our platform could cause publishers to reduce their use of our platform or to cease using it altogether. A decline in the market for programmatic advertising or the failure of that market to grow as expected could also adversely affect our business, results of operations and financial condition. Any decline in the volume or perceived quality of the ad impressions available on our platform could further reduce demand. Any such developments could have a material adverse effect on our business, results of operations and financial condition. Political advertising could also cause our revenue to increase during election cycles and decrease during other periods, making it difficult to predict our revenue, cash flow and operating results, all of which could fall below our expectations.

Our charter documents and Delaware law could discourage takeover attempts and other corporate governance changes.

Our certificate of incorporation and bylaws in effect upon completion of this offering contain provisions that could delay or prevent a change in control of our Company. These provisions could also make it difficult for stockholders to elect directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include certain provisions that:

- permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- provide that, after a removal for cause, vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- prohibit cumulative voting in the election of directors;
- require majority voting to amend our certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;
- restrict the forum for certain litigation against us to Delaware or federal courts;
- permit our board of directors to alter our bylaws without obtaining stockholder approval; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law (the "DGCL"). These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a period of time without the approval of our board of directors. In addition, our credit facility includes, and other debt instruments we may enter into in the future may include, provisions entitling the lenders to demand immediate repayment of all borrowings upon the occurrence of certain change of control events relating to us, which also could discourage, delay or prevent a business combination transaction.

The requirements of being a public company may strain our resources, divert our management's attention and affect our ability to attract and retain qualified board members.

As a public company, we will be subject to the reporting requirements of the Exchange Act, and will be required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Capital Market, and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal controls over financial reporting. Significant resources and management oversight will be required to maintain and, if required, improve our disclosure controls and procedures and internal controls over financial reporting to meet this standard. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and compensation committee, and qualified executive officers.

We have broad discretion in the use of net proceeds that we receive in this offering and we may not use them effectively.

After giving effect to the use of proceeds described in "*Use of Proceeds,*" we expect to have remaining net proceeds, which we currently intend to use for working capital and other general corporate purposes, including potential future acquisition of, or investment in, technologies or businesses that complement our business. We have no present commitments or agreements to enter into any acquisitions or make any investments. Our management will have broad discretion in the application of the net proceeds, including possible acquisitions of, or investments in, businesses or technologies. The failure by our management to apply these funds effectively could harm our business, operating results and financial condition.

Reduced reporting and disclosure requirements applicable to us as an emerging growth company could make our Class A common stock less attractive to investors.

We are an emerging growth company and, for as long as we continue to be an emerging growth company, we may continue to avail ourselves of exemptions from various reporting requirements applicable to other public companies. Consequently, we are not required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, and we are subject to 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. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of the dates such pronouncements are effective for public companies. We could be an emerging growth company for up to five years following the completion of this offering. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of this offering, (ii) the first fiscal year after our annual gross revenue is $1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in nonconvertible debt securities or (iv) the end of any fiscal year in which the market value of our Class A common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year. We cannot predict whether investors will find our Class A common stock less attractive if we choose to rely on these exemptions. If some investors find our Class A common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Class A common stock, and the price of our Class A common stock may be more volatile.

Our shares of Class A common stock will be subject to potential delisting if we do not continue to maintain the listing requirements of the Nasdaq Capital Market.

We have applied to have our shares of Class A common stock listed on the Nasdaq Capital Market, under the symbol “DRCT.” The Nasdaq Capital Market has rules for continued listing, including, without limitation, minimum market capitalization and other requirements. Failure to maintain our listing, or de-listing from the Nasdaq Capital Market, would make it more difficult for shareholders to sell our securities and more difficult to obtain accurate price quotations on our securities. This could have an adverse effect on the price of our Class A common stock. Our ability to issue additional securities for financing or other purposes, or otherwise to arrange for any financing we may need in the future, may also be materially and adversely affected if our Class A common stock is not traded on a national securities exchange.

Because we do not anticipate paying any cash dividends on our Class A common stock in the foreseeable future, capital appreciation, if any, will be your sole source of gains.

We have never declared or paid any dividends on our Class A common stock. We currently intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. In addition, the terms of our existing debt arrangements preclude us from paying dividends and our future debt agreements, if any, may contain similar restrictions. As a result, you may only receive a return on your investment in our Class A common stock if the market price of our Class A common stock increases.

The trading price of the shares of our Class A common stock is likely to be volatile, and purchasers of our Class A common stock could incur substantial losses.

Technology stocks historically have experienced high levels of volatility. The trading price of our Class A common stock following this offering may fluctuate substantially. Following the completion of this offering, the market price of our Class A common stock may be higher or lower than the price you pay in the offering, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to incur substantial losses, including all of your

investment in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular;
- announcements of new solutions or technologies, commercial relationships, acquisitions or other events by us or our competitors;
- price and volume fluctuations in the overall stock market from time to time;
- changes in how customers perceive the benefits of our platform and future offerings;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our Class A common stock;
- actual or anticipated changes or fluctuations in our results of operations or financial projections;
- changes in actual or future expectations of investors or securities analysts;
- litigation involving us, our industry or both;
- governmental or regulatory actions or audits;
- regulatory developments applicable to our business, including those related to privacy in the United States or globally;
- general economic conditions and trends;
- major catastrophic events in our domestic and foreign markets; and
- departures of key employees.

We are a "controlled company" for purposes of the Nasdaq Marketplace Rules and, as a result, qualify for, and may rely on, exemptions and relief from certain corporate governance requirements. If we rely on these exemptions, our stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements.

Following this offering, DDM will beneficially own approximately % of the combined voting power of our Class A and Class B common stock. As a result, we will be a "controlled company" within the meaning of the Nasdaq corporate governance standards. Under these corporate governance standards, a company of which more than 50% of the voting power in the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements. For example, controlled companies are not required to have:

- a board that is composed of a majority of "independent directors," as defined under the Nasdaq rules;
- a compensation committee that is composed entirely of independent directors; and
- director nominations be made, or recommended to the full board of directors, by its independent directors, or by a nominations/governance committee that is composed entirely of independent directors.

While we do not intend to rely on the exemptions related to being a "controlled company" within the meaning of the Nasdaq rules, we may utilize these exemptions for as long as we continue to qualify as a "controlled company." Accordingly, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the Nasdaq Capital Market. Investors may find our Class A common stock less attractive as a result of our reliance on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

General Risks

Failure to manage our growth effectively could cause our business to suffer and have an adverse effect on our business, operating results and financial condition.

We have experienced significant growth in a short period of time. To manage our growth effectively, we must continually evaluate and evolve our organization. We must also manage our employees, operations, finances, technology and development and capital investments efficiently. Our efficiency, productivity and the quality of our platform and customer service may be adversely impacted if we do not train our new personnel, particularly our sales and support personnel, quickly and effectively, or if we fail to appropriately coordinate across our organization. Additionally, our rapid growth may place a strain on our resources, infrastructure and ability to maintain the quality of our platform. You should not consider our revenue growth and levels of profitability in recent periods as indicative of future performance. In future periods, our revenue or profitability could decline or grow more slowly than we expect. Failure to manage our growth effectively could cause our business to suffer and have an adverse effect on our operating results and financial condition.

If securities or industry analysts do not publish research or reports about our business, or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading market for our Class A common stock will partially depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us should downgrade our shares or change their opinion of our business prospects, our share price would likely decline. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States. If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

U.S. generally accepted accounting principles ("GAAP"), are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions already completed before the announcement of a change.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this prospectus. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates*." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant estimates, judgments, and assumptions used in our financial statements include, but are not limited to, those related to revenue recognition, accounts receivable and related reserves, useful lives and realizability of long lived assets, capitalized internal-use software development costs, assumptions used in the valuation of warrants, accounting for stock-based compensation, and valuation allowances against deferred tax assets. These estimates are periodically reviewed for any changes in circumstances, facts and experience. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock.

Global and national financial events may have an impact on our business and financial condition in ways that we currently cannot predict.

A credit crisis, turmoil in the global or U.S. financial system, recession or similar possible events in the future could negatively impact us. A financial crisis or recession may limit our ability to raise capital through

credit and equity markets. The prices for the products and services that we intend to provide may be affected by a number of factors, and it is unknown how these factors may be impacted by a global or national financial event.

If our estimates or judgments relating to our critical accounting policies are erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on our best judgment, historical experience, information derived from third parties and on various other assumptions that we believe to be reasonable under the circumstances, as discussed in the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation and income taxes.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of federal securities laws and which are subject to certain risks, trends and uncertainties. We use words such as "could," "would," "may," "might," "will," "expect," "likely," "believe," "continue," "anticipate," "estimate," "intend," "plan," "project" and other similar expressions to identify forward-looking statements, but not all forward-looking statements include these words. All of our forward-looking statements involve estimates and uncertainties that could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to the information described under the caption "*Risk Factors*" and elsewhere in this prospectus.

The forward-looking statements contained in this prospectus are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance expressed in or implied by the forward-looking statements. We believe these factors include, but are not limited to, the following:

- our dependence on the overall demand for advertising, which could be influenced by economic downturns;
- any slow or unanticipated development in the market for programmatic advertising campaigns;
- the effects of health epidemics, such as the ongoing global COVID-19 pandemic;
- operational and performance issues with our platform, whether real or perceived, including a failure to respond to technological changes or to upgrade our technology systems;
- any significant inadvertent disclosure or breach of confidential and/or personal information we hold, or of the security of our or our customers', suppliers' or other partners' computer systems;
- any unavailability or non-performance of the non-proprietary technology, software, products and services that we use;
- unfavorable publicity and negative public perception about our industry, particularly concerns regarding data privacy and security relating to our industry's technology and practices, and any perceived failure to comply with laws and industry self-regulation;
- restrictions on the use of third-party "cookies," mobile device IDs or other tracking technologies, which could diminish our platform's effectiveness;
- any inability to compete in our intensely competitive market;
- any significant fluctuations caused by our high customer concentration;
- our limited operating history, which could result in our past results not being indicative of future operating performance;
- any violation of legal and regulatory requirements or any misconduct by our employees, subcontractors, agents or business partners;
- any strain on our resources, diversion of our management's attention or impact on our ability to attract and retain qualified board members as a result of being a public company;
- as a holding company, we will depend on distributions from DDH LLC to pay our taxes, expenses (including payments under the Tax Receivable Agreement) and dividends;
- DDH LLC may make distributions of cash to us substantially in excess of the amounts we use to make distributions to our stockholders and pay our expenses (including our taxes and payments under the Tax Receivable Agreement), which, to the extent not distributed as dividends on our Class A

common stock, would benefit the Continuing LLC Owners as a result of their ownership of Class A common stock upon an exchange or redemption of their LLC Units; and

- other factors and assumptions discussed in this prospectus under "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*."

Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove to be incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this prospectus to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them. Further, we cannot assess the impact of each currently known or new factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of our Class A common stock that we are offering will be approximately $ million (or approximately $ million if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full), based on an assumed public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering to purchase newly issued LLC Units (or LLC Units if the underwriters exercise in full their option to purchase additional shares of Class A common stock) directly from DDH LLC at a purchase price per LLC Unit equal to the initial public offering price per share of Class A common stock less the underwriting discounts and commissions.

We intend to cause DDH LLC to use such proceeds (together with any additional proceeds it may receive if the underwriters exercise their option to purchase additional shares of Class A common stock), after deducting estimated offering expenses, together with our existing cash and cash equivalents, to purchase all LLC Units held by USDM for an aggregate purchase price of $ and for working capital and general corporate purposes, including potential future acquisition of, or investment in, technologies or businesses that complement our business. We have no present commitments or agreements to enter into any such acquisitions or make any such investments. Pending these uses, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

Each $1.00 increase or decrease in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase or decrease the net proceeds that we receive from this offering by approximately $, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions payable by us. Similarly, each increase or decrease of shares of Class A common stock offered by us in this offering would increase or decrease the net proceeds that we receive from this offering by approximately $, assuming the assumed initial public offering price remains the same and after deducting the estimated underwriting discounts and commissions payable by us.

This expected use of the net proceeds from this offering represents our intentions based upon our current financial condition, results of operations, business plans and conditions. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

DIVIDEND POLICY

Since our inception, we have not paid any dividends on our Class A common stock, and we currently expect that, for the foreseeable future, all earnings will be retained for the development of our business and no dividends will be declared or paid. In the future, our board of directors may decide, at its discretion, whether dividends may be declared and paid, taking into consideration, among other things, our earnings, operating results, financial condition and capital requirements, general business conditions and other pertinent facts. Holders of our Class B common stock are not entitled to participate in any dividends declared by our board of directors.

Upon the completion of this offering, Direct Digital Holdings will be a holding company and will have no material assets other than its ownership of LLC Units. Accordingly, we will depend on distributions from DDH LLC to pay our taxes and expenses, including payments under the Tax Receivable Agreement. The limited liability company agreement of DDH LLC that will be in effect at the time of this offering provides that certain distributions intended to cover the taxes of DDH LLC's owners will be made based upon assumed tax rates and other assumptions provided in the DDH LLC Agreement. See the section titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*" for more information. Additionally, in the event Direct Digital Holdings declares any cash dividends, we intend to cause DDH LLC to make distributions to Direct Digital Holdings in an amount sufficient to cover such cash dividends declared by us. If DDH LLC makes such distributions to Direct Digital Holdings, the Continuing LLC Owners will also be entitled to receive the respective equivalent pro rata distributions in accordance with the percentages of their respective LLC Units. See the section titled "*Risk Factors — Risks Related to Our Organizational Structure*" To the extent that the tax distributions we receive exceed the amounts we actually require to pay taxes, Tax Receivable Agreement payments and other expenses, we will not be required to distribute such excess cash.

DDH LLC's ability to make such distributions may be subject to various limitations and restrictions. In addition, DDH LLC is generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of DDH LLC (with certain exceptions) exceed the fair value of its assets. DDH LLC's subsidiaries are generally subject to similar legal limitations on its ability to make distributions to DDH LLC.

ORGANIZATIONAL TRANSACTIONS

Existing Organization

Prior to the completion of this offering and the Organizational Transactions described below, the Continuing LLC Owners were the only owners of DDH LLC. DDH LLC is treated as a partnership for U.S. federal income tax purposes and, as such, generally is not subject to any U.S. federal entity-level income taxes. Rather, taxable income or loss is included in the U.S. federal income tax returns of DDH LLC's members.

Direct Digital Holdings was incorporated as a Delaware corporation on August 23, 2021 and is the issuer of the Class A common stock being offered in this offering.

Organizational Transactions

In connection with the closing of this offering, we will consummate the following organizational transactions, which we refer to collectively as the "Organizational Transactions":

- we will amend and restate the DDH LLC Agreement to, among other things, appoint Direct Digital Holdings as the sole managing member of DDH LLC and effectuate a recapitalization of all outstanding preferred units and common units into a single class of economic nonvoting units of DDH LLC. We will otherwise operate as a holding company. Direct Digital Holdings will include DDH LLC in its consolidated financial statements;
- we will amend and restate the Direct Digital Holdings certificate of incorporation to, among other things, provide for Class A common stock, each share of which entitles its holders to one vote per share, and Class B common stock, each share of which entitles its holders to one vote per share on all matters presented to Direct Digital Holdings' stockholders;
- we will cause DDH LLC to purchase all of the LLC Units held by USDM for an aggregate purchase price of $;
- the Continuing LLC Owners will continue to own the LLC Units they receive in exchange for their outstanding common units in DDH LLC, representing approximately % of the economic interest in the business of DDH LLC and its subsidiaries (or approximately %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and we will issue shares of Class B common stock, each share of which entitles its holder to one vote per share, to the Continuing LLC Owners on a one-to-one basis with the number of LLC Units each Continuing LLC Owner owns upon the consummation of the Organizational Transactions, for nominal consideration; the LLC Units, following the completion of this offering, will be redeemable, at the Continuing LLC Owners' election from time to time, for newly issued shares of Class A common stock on a one-for-one basis (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the DDH LLC Agreement; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owners that hold Class B common stock, redeem or exchange such holders' LLC Units pursuant to the terms of the DDH LLC Agreement;
- Direct Digital Holdings will enter into (i) the Tax Receivable Agreement with the Continuing LLC Owners and DDH LLC, and (ii) a registration rights agreement, or the Registration Rights Agreement, with the Continuing LLC Owners;
- Direct Digital Holdings will issue shares of Class A common stock to the purchasers in this offering (or shares of our Class A common stock if the underwriters exercise in full their option to purchase additional shares of Class A common stock); and
- Direct Digital Holdings will use all of the net proceeds from this offering (including any net proceeds received upon exercise of the underwriters' option to purchase additional shares of Class A common stock) to acquire newly issued LLC Units from DDH LLC at a purchase price per interest equal to the initial public offering price per share of Class A common stock, less underwriting discounts and

commissions, collectively representing % of DDH LLC's outstanding LLC Units (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). Following the completion of this offering, Direct Digital Holdings will hold a number of LLC Units that is equal to the number of shares of Class A common stock that it has issued, a relationship that we believe fosters transparency because it results in a single share of Class A common stock representing the same percentage ownership in DDH LLC as a single unit of LLC Units. See the section titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*."

Organizational Structure Following This Offering

Immediately following the completion of the Organizational Transactions, including this offering:

- Direct Digital Holdings will be a holding company and the principal asset of Direct Digital Holdings will be our interests in DDH LLC;
- Direct Digital Holdings will be the sole managing member of DDH LLC and will control the business and affairs of DDH LLC and its subsidiaries;
- Direct Digital Holdings' amended and restated certificate of incorporation and the DDH LLC Agreement will require that we and DDH LLC at all times maintain a one-to-one ratio between the number of shares of Class A common stock issued by us and the number of LLC Units owned by us, as well as a one-to-one ratio between the number of shares of Class B common stock owned by the Continuing LLC Owners and the number of LLC Units owned by the Continuing LLC Owners;
- Direct Digital Holdings will own LLC Units representing % of the economic interest in DDH LLC (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the purchasers in this offering (i) will own shares of Class A common stock, representing approximately % of the combined voting power of all of Direct Digital Holdings common stock (or shares of Class A common stock, representing approximately %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock), (ii) will own 100% of the economic interest in Direct Digital Holdings and (iii) through Direct Digital Holdings ownership of LLC Units, indirectly will hold approximately % of the economic interest in DDH LLC (or % if the underwriters exercise in full their option to purchase additional shares of Class A common stock);
- the Continuing LLC Owners will own (i) through their ownership of Class B common stock approximately % of the voting power in Direct Digital Holdings (or approximately %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock) and (ii) LLC Units, representing % of the economic interest in DDH LLC (or %, if the underwriters exercise in full their option to purchase additional shares of Class A common stock). Following the completion of the offering, each LLC Unit held by the Continuing LLC Owners will be redeemable, at their election (subject to the terms of the DDH LLC Agreement) from time to time, for newly issued shares of Class A common stock on a one-for-one basis (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the DDH LLC Agreement; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owners, redeem or exchange their LLC Units pursuant to the terms of the DDH LLC Agreement. See the section titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*;"
- USDM will hold no interest in DDH LLC or us; and
- Direct Digital Holdings will enter into (i) the Tax Receivable Agreement with the Continuing LLC Owners and DDH LLC and (ii) the Registration Rights Agreement with the Continuing LLC Owners.

Our corporate structure following the completion of this offering, as described below, is commonly referred to as an umbrella partnership-C-corporation, or Up-C, structure, which is often used by partnerships and limited liability companies when they undertake an initial public offering of their business. The Up-C structure will allow the Continuing LLC Owners to retain their equity ownership in DDH LLC and to

continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. federal income tax purposes following the completion of the offering. Investors in this offering will, by contrast, hold their equity ownership in Direct Digital Holdings, a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes, in the form of shares of Class A common stock. The Continuing LLC Owners will hold LLC Units and, in the case of Continuing LLC Owners who do not exchange their LLC Units for shares of our Class A common stock in connection with the completion of this offering, an equal number of shares of Class B common stock in Direct Digital Holdings. One of the tax benefits to the Continuing LLC Owners associated with this structure is that future taxable income of DDH LLC that is allocated to the Continuing LLC Owners will be taxed on a pass-through basis and therefore will not be subject to corporate taxes at the entity level. Additionally, the Continuing LLC Owners may, from time to time, redeem or exchange their LLC Units for newly issued shares of our Class A common stock on a one-for-one basis. The Up-C structure also provides the Continuing LLC Owners with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded. If we generate sufficient taxable income, Direct Digital Holdings expects to benefit from the Up-C structure because, in general, we expect cash tax savings in amounts equal to 15% of the Tax Attributes, as described above, arising from such redemptions or exchanges of the Continuing Owners' LLC Units for Class A Common Stock and certain other tax benefits covered by the Tax Receivable Agreement discussed in the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*." See the section titled "*Risk Factors — Risks Related to Our Organizational Structure*" for more information.

Immediately following the completion of this offering and the application of net proceeds therefrom, Direct Digital Holdings will be a holding company and our principal asset will be the LLC Units we purchase from DDH LLC. As a result, Direct Digital Holdings will have no independent means of generating revenue. As the sole managing member of DDH LLC, Direct Digital Holdings will operate and control all of the business and affairs of DDH LLC and, through DDH LLC and its subsidiaries, conduct our business. Accordingly, we will have the sole voting interest in, and control the management of, DDH LLC. As a result, Direct Digital Holdings will consolidate DDH LLC in our consolidated financial statements and will report a non-controlling interest related to the LLC Units held by the Continuing LLC Owners on our consolidated financial statements. Direct Digital Holdings will have a board of directors and executive officers and employees.

DDH LLC will be treated as a partnership for U.S. federal income tax purposes and, as such, will generally not be subject to U.S. federal income tax. Instead, taxable income will be allocated to holders of LLC Units, including Direct Digital Holdings. Accordingly, Direct Digital Holdings will incur income taxes on its allocable share of any net taxable income of DDH LLC. Pursuant to the DDH LLC Agreement, DDH LLC will make cash distributions to the owners of LLC Units in an amount sufficient to fund their tax obligations in respect of the cumulative taxable income in excess of cumulative taxable losses of DDH LLC that is allocated to them, to the extent previous distributions from DDH LLC have been insufficient. In addition to tax expenses, Direct Digital Holdings also will incur expenses related to its operations, plus payments under the Tax Receivable Agreement, which Direct Digital Holdings expects will be significant. Direct Digital Holdings intends to cause DDH LLC to make distributions or, in the case of certain expenses, payments in an amount sufficient to allow Direct Digital Holdings to pay its taxes and operating expenses, including distributions to fund any ordinary course payments due under the Tax Receivable Agreement.

As the sole managing member of DDH LLC, Direct Digital Holdings will have the right to determine when distributions will be made to the holders of LLC Units in DDH LLC and the amount of any such distributions (subject to the requirements with respect to the tax distributions described above). If Direct Digital Holdings authorizes a distribution, such distribution will be made to the holders of LLC Units, including Direct Digital Holdings, generally pro rata in accordance with their respective ownership of DDH LLC, provided that Direct Digital Holdings as sole managing member will be entitled to non-pro rata distributions for certain fees and expenses.

As noted above, the Continuing LLC Owners will also hold a number of shares of our Class B common stock initially equal to the number of LLC Units held by such person. Although these shares have no economic rights, they will allow such Continuing LLC Owners to directly exercise voting power at

Direct Digital Holdings, the sole managing member of DDH LLC. Under Direct Digital Holdings' amended and restated certificate of incorporation, each share of Class B common stock will be entitled to one vote per share.

The DDH LLC Agreement will provide that as a general matter a Continuing LLC Owner will not have the right to exchange LLC Units if Direct Digital Holdings determines that such exchange would be prohibited by law or regulation or would violate other agreements with us to which the Continuing LLC Owner may be subject, including the DDH LLC Agreement. Additionally, the DDH LLC Agreement contains restrictions on redemptions and exchanges intended to prevent DDH LLC from being treated as a "publicly traded partnership" for U.S. federal income tax purposes. These restrictions are modeled on certain safe harbors provided for under applicable U.S. federal income tax law. Direct Digital Holdings may impose additional restrictions on exchange that Direct Digital Holdings determines to be necessary or advisable so that DDH LLC is not treated as a "publicly traded partnership" for U.S. federal income tax purposes. As a holder redeems or exchanges LLC Units, the number of LLC Units held by Direct Digital Holdings is correspondingly increased, and if the redeeming or exchanging Continuing LLC Owner holds Class B common stock, a corresponding number of such shares of Class B common stock are cancelled. See the section titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*" for more information. Subject to the foregoing, the Continuing LLC Owners of DDH LLC, from time to time following the completion of this offering, may, subject to the terms of the DDH LLC Agreement, exchange their LLC Units for common stock on a one-to-one basis in accordance with the terms of the DDH LLC Agreement, and a corresponding number of such shares of Class B common stock will be cancelled; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock.

Following This Offering

The Continuing LLC Owners of DDH LLC, from time to time following the completion of this offering, may, subject to the terms of the DDH LLC Agreement, exchange their LLC Units for common stock on a one-to-one basis in accordance with the terms of the DDH LLC Agreement, and a corresponding number of such shares of Class B common stock will be cancelled; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock. Any shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owners, redeem or exchange such LLC Units pursuant to the terms of the DDH LLC Agreement. These exchanges and redemptions are expected to result in increases in the tax basis of the assets of DDH LLC that otherwise would not have been available. Increases in tax basis resulting from such exchanges may reduce the amount of tax that Direct Digital Holdings would otherwise be required to pay in the future. This tax basis may also decrease the gains (or increase the losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets.

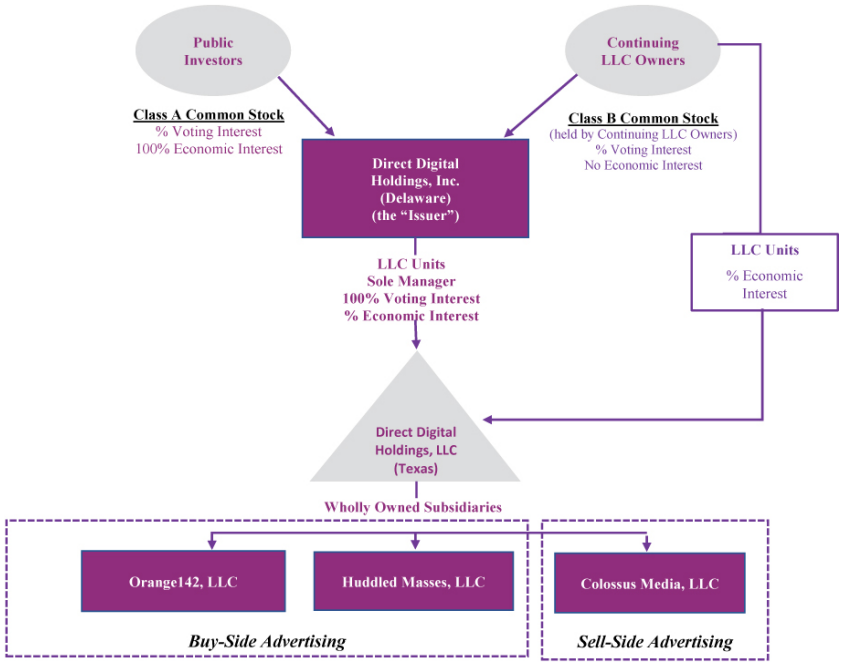
Direct Digital Holdings will enter into a Tax Receivable Agreement with DDH LLC and each of the Continuing LLC Owners that will provide for the payment by Direct Digital Holdings of 85% of the amount of the calculated tax savings, if any, that Direct Digital Holdings realizes, or in some circumstances is deemed to realize, as a result of this existing and increased tax basis and certain other tax benefits related to it entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. These payment obligations are obligations of Direct Digital Holdings and not of DDH LLC. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for additional information.

Direct Digital Holdings may accumulate cash balances in future years resulting from distributions from DDH LLC exceeding its tax or other liabilities. To the extent Direct Digital Holdings does not use such cash balances to pay a dividend on or repurchase shares of Class A common stock and instead decides to hold or recontribute such cash balances to DDH LLC for use in its operations, Continuing LLC Owners who exchange LLC Units and, if applicable, shares of Class B common stock for shares of Class A common stock in the future could also benefit from any value attributable to such accumulated cash balances.

See the section titled "*Description of Capital Stock*" for more information about our amended and restated certificate of incorporation and the terms of the Class A common stock and Class B common stock. See the section titled "*Certain Relationships and Related Person Transactions*" for more information

about (i) the DDH LLC Agreement, including the terms of the LLC Units and the exchange and redemption right of the Continuing LLC Owners; (ii) the Tax Receivable Agreement; and (iii) the Registration Rights Agreement. See the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Tax Receivable Agreement*" for more information about expected payments under the Tax Receivable Agreement.

The diagram below depicts our organizational structure after giving effect to the Organizational Transactions, including this offering, assuming no exercise by the underwriters of their option to purchase additional shares of Class A common stock:



CAPITALIZATION

The table below shows our cash and cash equivalents and capitalization as of September 30, 2021:

- of DDH LLC on an actual basis;
- of Direct Digital Holdings on a pro forma basis to give effect to the Organizational Transactions, excluding the effects of this offering; and
- of Direct Digital Holdings on a pro forma as adjusted basis to give effect to the Organizational Transactions, including the sale of shares by us in this offering at an assumed price to the public of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, resulting in net proceeds to us of approximately $ after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our capitalization following the closing of this offering will depend on the actual initial public offering price and other terms of this offering determined at pricing. You should read the following information together with the information contained under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and *"Unaudited Pro Forma Consolidated Financial Information"* and with our condensed consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

	As of September 30, 2021		
	Actual (unaudited)	Pro Forma for the Organizational Transactions excluding the offering (unaudited)[1]	Pro Forma for the Organizational Transactions and the offering (unaudited)[1]
Cash and cash equivalents	$ 2,603,152	$	$
Long-term debt	19,844,462		
Members'/stockholders' (deficit) equity:			
Members' (deficit) equity attributable to Direct Digital Holdings, LLC	(2,226,945)		
Units, 1,000,000 units authorized; 34,182 issued and outstanding	4,294,241		
Class A common stock, $0.001 par value per share; no shares authorized, issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; and shares authorized, shares issued and outstanding, pro forma as adjusted	—		
Class B common stock, $ par value per share; no shares authorized, issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; and shares authorized, shares issued and outstanding, pro forma as adjusted	—		
Additional paid-in capital	—		
Total members'/stockholders' equity	2,067,296		
Total capitalization	$21,911,758	$	$

(1) If the underwriters' option to purchase up to an additional shares of our Class A common stock is exercised in full, (i) an additional shares of Class A common stock would be issued and we would receive approximately $ in additional net proceeds, based on the

assumed initial public offering price per share of $, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us; and (ii) cash and cash equivalents, total stockholders' equity and total capitalization would each also increase by approximately $.

Each $1.00 increase (decrease) in the assumed initial public offering price per share of $, which is the midpoint of the price range set forth on the cover page of this prospectus, assuming no change in the number of shares to be sold, would increase (decrease) the net proceeds that we receive in this offering and each of total stockholders' equity and total capitalization by approximately $ million (or $ million if the underwriters exercise the over-allotment option in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase (decrease) of shares of our Class A common stock offered by us in this offering, assuming no change in the offering price, would increase (decrease) the new proceeds that we receive in this offering and each of total stockholders' equity and total capitalization by approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The number of our shares of Class A common stock to be outstanding immediately after this offering is based on shares of Class A common stock outstanding as of September 30, 2021, after giving effect to the Organizational Transactions and excludes the following (all of which are calculated based on the assumed initial public offering price per share of $, which is the midpoint of the price range set forth on the cover page of this prospectus):

- shares of Class A common stock reserved as of the closing date of this offering for future issuance upon redemption or exchange of LLC Units by the Continuing LLC Owners;
- shares of Class A common stock reserved for issuance under our 2021 Omnibus Incentive Plan; and
- shares of Class A common stock issuable upon the exercise of options (of which have vested) at a weighted average exercise price of $ as of September 30, 2021.

DILUTION

The Continuing LLC Owners will maintain their LLC Units in DDH LLC after the Organizational Transactions. Because the Continuing LLC Owners do not own any Class A common stock or have any right to receive distributions from Direct Digital Holdings, we have presented dilution in pro forma net tangible book value per share after this offering assuming the Continuing LLC Owners had their LLC Units redeemed or exchanged for newly issued shares of Class A common stock on a one-for-one basis, and the cancellation for no consideration of all of its shares of Class B common stock (which are not entitled to distributions from Direct Digital Holdings), in order to more meaningfully present the dilutive impact on the investors in this offering. We refer to the assumed redemption or exchange of all LLC Units owned by the Continuing LLC Owners for shares of Class A common stock as described in the previous sentence as the "Assumed Redemption." We also note that the effect of the Assumed Redemption is to increase the assumed number of shares of Class A common stock outstanding before the offering, thereby decreasing the pro forma net tangible book value per share before the offering and correspondingly increasing the dilution per share to new Class A common stock investors.

If you invest in our Class A common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of Class A common stock and the pro forma as adjusted net tangible book value per share immediately after this offering. Dilution is the amount by which the offering price paid by the purchasers of the Class A common stock in this offering exceeds the pro forma net tangible book value per share of Class A common stock after the offering.

DDH LLC's pro forma net tangible book value as of September 30, 2021 was $7.3 million, or $ per share of Class A common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of our shares of Class A common stock outstanding as of September 30, 2021 after giving effect to the Organizational Transactions.

After giving effect to the Organizational Transactions, the Assumed Redemption and the sale by us of shares of Class A common stock in this offering, based on the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2021 would have been $ million, or $ per share of Class A common stock. This amount represents an immediate dilution of $ per share to new investors purchasing Class A common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by investors purchasing Class A common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of September 30, 2021[1][2]	$	
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering	$	
Pro forma as adjusted net tangible book value per share after giving effect to this offering		$
Dilution per share to new investors in this offering		$

(1) The computation of pro forma net tangible book value per share as of September 30, 2021 before this offering and after the Assumed Redemption is set forth below:

Numerator:	
Book value of tangible assets	$
Less: total liabilities	
Pro forma net tangible book value[(a)]	$
Denominator:	
Shares of Class A common stock outstanding immediately prior to this offering and after the Assumed Redemption	
Pro forma net tangible book value per share	$

(a) Gives pro forma effect to the Organizational Transactions (other than this offering) and the Assumed Redemption.

(2) The computation of pro forma net tangible book value per share as of September 30, 2021 before this offering and before the Assumed Redemption is set forth below:

Numerator:	
Book value of tangible assets	$
Less: total liabilities	
Pro forma net tangible book value[(a)]	$
Denominator:	
Shares of Class A common stock outstanding immediately prior to this offering and prior to any Assumed Redemption	
Pro forma net tangible book value per share	$

(a) Gives pro forma effect to the Organizational Transactions (other than this offering) and excludes the Assumed Redemption.

If the underwriters exercise their option to purchase additional shares of our Class A common stock from us in full, our pro forma as adjusted net tangible book value would be $ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be $ per share.

The following table summarizes, as of September 30, 2021 after giving effect to this offering, the Organizational Transactions and the differences between the Continuing LLC Owners and new investors in this offering with regard to:

- the number of shares of Class A common stock purchased from us by investors in this offering and the number of shares issued to the Continuing LLC Owners after giving effect to the Assumed Redemption,
- the total consideration paid to us in cash by investors purchasing shares of Class A common stock in this offering and by the Continuing LLC Owners, and
- the average price per share of Class A common stock that such Continuing LLC Owners and new investors paid.

- The table below is based on an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares of Class A Common Stock Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Continuing LLC Owners		%	$	%	$
New investors in this offering					
Total		%	$	%	$

Except as otherwise indicated, the discussion and the tables above assume no exercise of the underwriters' option to purchase additional shares of Class A common stock. The number of our shares of Class A common stock to be outstanding immediately after this offering is based on the shares of our Class A common stock outstanding as of September 30, 2021 after giving effect to the Organizational Transactions, and excludes the following (all of which are calculated based on the assumed initial public offering price per share of $, which is the midpoint of the price range set forth on the cover page of this prospectus):

- shares of Class A common stock reserved as of the closing date of this offering for future issuance upon redemption or exchange of LLC Units by the Continuing LLC Owners;
- shares of Class A common stock reserved for issuance under our 2021 Omnibus Incentive Plan; and
- shares of Class A common stock issuable upon the exercise of options (of which have vested) at a weighted average exercise price of $ as of September 30, 2021.

Notwithstanding the foregoing, to the extent there is an increase in the initial public offering price, the number of shares of Class A common stock outstanding and shares of Class A common stock issuable upon redemption of LLC Units would decrease from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of shares of Class A common stock outstanding and shares of Class A common stock issuable upon redemption of LLC Units would increase. However, to the extent there is an increase in the public offering price, the number of shares of Class A common stock issuable under awards would increase from the amounts noted herein; to the extent there is a decrease in the public offering price, the number of shares of Class A common stock issuable under awards would decrease. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, would result in a net decrease (increase) of approximately in the aggregate number of shares of Class A common stock outstanding, shares of Class A common stock issuable upon redemption of LLC Units and shares of Class A common stock issuable under stock awards. The relative magnitude of the change in shares of Class A common stock outstanding and shares of Class A common stock issuable upon redemption of LLC Units decreases as the per share price moves further away from the midpoint.

To the extent that options or other securities are issued under our equity incentive plans, or we issue additional shares of our Class A common stock or securities convertible into Class A common stock in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible securities, the issuance of these securities could result in further dilution to our stockholders.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma consolidated balance sheet as of September 30, 2021 and December 31, 2020 and the unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2020 and the year ended December 31, 2020 present our consolidated financial position and results of operations after giving pro forma effect to:

(1) the acquisition of Orange142, as if such transaction had occurred on January 1, 2021 for the unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2020;

(2) the acquisition of Orange142, as if such transaction had occurred on January 1, 2020 for the unaudited pro forma consolidated statement of operations for the year ended December 31, 2020;

(3) the Organizational Transactions described under the section titled "*Organizational Transactions*," as if such transactions occurred on September 30, 2021 for the unaudited pro forma consolidated balance sheet as of September 30, 2021 and on January 1, 2021 for the unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2020; and

(4) the Organizational Transactions described under the section titled "*Organizational Transactions*," as if such transactions occurred on December 31, 2020 for the unaudited pro forma consolidated balance sheet as of December 31, 2020 and on January 1, 2020 for the unaudited pro forma consolidated statement of operations for the year ended December 31, 2020.

Our historical consolidated financial information has been derived from the consolidated audited and unaudited financial statements of DDH LLC and its subsidiaries and accompanying notes to the consolidated financial statements included elsewhere in this prospectus. Direct Digital Holdings was incorporated on August 23, 2021 and will have no material assets or results of operations until the completion of this offering. Therefore, its historical financial information is not included in the unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information has been prepared on the basis that we will be taxed as a corporation for U.S. federal and state income tax purposes and, accordingly, will become a taxpaying entity subject to U.S. federal, state and foreign income taxes. The unaudited pro forma consolidated financial information was prepared in accordance with Article 11 of SEC Regulation S-X. See the accompanying notes to the Unaudited Pro Forma Consolidated Financial Information for a discussion of assumptions made.

The unaudited pro forma consolidated financial information is not necessarily indicative of financial results that would have been attained had the described transactions occurred on the dates indicated above or that could be achieved in the future. The unaudited pro forma consolidated financial information also does not give effect to the potential impact of any anticipated synergies, operating efficiencies or cost savings that may result from the transactions or any integration costs that result from the Organizational Transactions or any costs that do not have a continuing impact. Future results may vary significantly from the results reflected in the unaudited pro forma consolidated statements of operations and should not be relied on as an indication of our results after the consummation of this offering and the other transactions contemplated by such unaudited pro forma consolidated financial information. However, our management believes that the assumptions provide a reasonable basis for presenting the significant effects of the transactions as contemplated and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma consolidated financial information.

As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur additional annual expenses related to these steps and, among other things, additional directors' and officers' liability insurance, director fees, costs to comply with the reporting requirements of the SEC, transfer agent fees, hiring of additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses. We have not included any pro forma adjustments relating to these costs.

As described in greater detail under the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*," in connection with the consummation of this offering, we will

enter into the Tax Receivable Agreement with DDH LLC and the Continuing LLC Owners that will provide for the payment by Direct Digital Holdings to such Continuing LLC Owners of 85% of the amount of tax benefits, if any, that Direct Digital Holdings actually realized, or in certain circumstances is deemed to realize (calculated using certain assumptions) as a result of (i) increases in the tax basis of assets of DDH LLC resulting from (a) any future redemptions or exchanges of LLC Units described above under "*— The Offering — Class B common stock exchange rights,*" and (b) payments under the Tax Receivable Agreement and (ii) certain other tax benefits arising from payments under the Tax Receivable Agreement. Actual tax benefits realized by Direct Digital Holdings may differ from tax benefits calculated under the Tax Receivable Agreement as a result of the use of certain assumptions in the Tax Receivable Agreement, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits. This payment obligation is an obligation of Direct Digital Holdings but not of DDH LLC. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*."

If we ever generate sufficient taxable income to utilize the tax benefits from the Organizational Transactions, we expect to benefit from the remaining 15% of cash savings, if any, that we realize. We do not expect to record a liability under the Tax Receivable Agreement as a result of the Organizational Transactions and the purchase of newly issued LLC Units from DDH LLC with a portion of the net proceeds from this offering. This is because the purchase of the LLC Units will not result in a taxable transaction, and we currently expect to record a full valuation allowance against the deferred tax asset created through the purchase of the LLC Units. Due to the uncertainty in the amount and timing of future redemptions or exchanges of LLC Units by the Continuing LLC Owners and purchases of LLC Units from the Continuing LLC Owners, the unaudited pro forma consolidated financial information assumes that no future redemptions or exchanges or purchases of LLC Units have occurred and therefore no increases in tax basis in the DDH LLC assets or other tax benefits that may be realized thereunder have been assumed in the unaudited pro forma consolidated financial information. However, if the Continuing LLC Owners were to redeem or exchange or sell us all of their LLC Units, we would recognize a deferred tax asset of approximately $ million and a liability under the Tax Receivable Agreement of approximately $ million, assuming: (i) all exchanges or purchases occurred on the same day; (ii) a price of $ per share of Class A common stock (the midpoint of the price range set forth on the cover page of this prospectus); (iii) a constant corporate tax rate of %; (iv) that we will have sufficient taxable income to utilize the tax benefits of our estimated deferred tax asset and (v) no material changes in tax law. For each 5% increase (decrease) in the amount of LLC Units exchanged by or purchased from the Continuing LLC Unitholders (or their transferees of LLC Units or other assignees), our deferred tax asset would increase (decrease) by approximately $ million and the related liability would increase (decrease) by approximately $ million, assuming that the price per share of Class A common stock and corporate tax rate remain the same.

For each $1.00 increase (decrease) in the assumed initial public offering price of $ per share of Class A common stock, our deferred tax asset would increase (decrease) by approximately $ million and the related liability would increase (decrease) by approximately $ million, assuming that the number of LLC Units exchanged by or purchased from the Continuing LLC Unitholders (or their transferees of LLC Units and other assignees) and the corporate tax rate remain the same. These amounts are estimates and have been prepared for illustrative purposes only. The actual amount of deferred tax assets and liabilities under the Tax Receivable Agreement that we will recognize will differ based on, among other things, the timing of the exchanges and purchases, the price of our shares of Class A common stock at the time of the exchange or purchase, our ability to utilize the tax benefits from the Organizational Transactions, and the tax rates then in effect. The unaudited pro forma consolidated financial information should be read together with the sections titled "*Risk Factors*," "*Organizational Transactions*," "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the audited consolidated financial statements of DDH LLC and related notes thereto as well as the interim unaudited condensed consolidated financial statements of DDH LLC and related notes thereto included elsewhere in this prospectus.

Effective September 30, 2020, we acquired 100% of the equity interests of Orange142 valued at $26.2 million to further bolster the overall buy-side advertising platform and enhance our offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small- and mid-sized businesses transitioning into digital with growing digital

media budgets. The total purchase price of $26.2 million was funded by a combination of cash, issuance of member common units, mandatorily redeemable preferred units, a facility term note and a revolving credit facility (see Notes 3, 5 and 6 to the consolidated financial statements). The acquisition was accounted for using the acquisition method of accounting and, accordingly, the consolidated statements of operations includes the results of operations of Orange142 beginning September 30, 2020.

The acquisition of Orange142 was recorded by allocating the total purchase consideration to the fair value of the net tangible assets acquired, including goodwill and intangible assets in accordance with FASB Accounting Codification Standard ("ASC") 805, *Business Combinations* ("ASC 805"). The purchase consideration exceeded the fair value of the net assets resulting in goodwill of $4.1 million and intangible assets of $18.0 million. Intangible assets consist of $13.0 million of 10-year amortizable customer relationships, $3.5 million of 10-year amortizable trademarks and tradenames, and $1.5 million of 5-year amortizable non-compete agreements. We record the amortization expense on a straight-line basis over the life of the identifiable intangible assets.

The tables below present our historical results of operations of DDH LLC, the historical results of operations of Orange142, the Orange142 acquisition and Organizational Transactions pro forma adjustments assuming the Orange142 acquisition and Organizational Transactions occurred on the dates indicated above:

	September 30, 2020						December 31, 2020					
	Direct Digital Holdings, LLC (unaudited)	Orange142, LLC (unaudited)	Pro forma adjustments for the Orange142 acquisition (unaudited)	Pro forma adjustments for the Organizational Transactions excluding the offering (unaudited)	Notes	Pro Forma, as adjusted, for the Orange142 acquisition and Organizational Transactions (unaudited)	Direct Digital Holdings, LLC	Orange142, LLC	Pro forma adjustments for the Orange142 acquisition (unaudited)	Pro forma adjustments for the Organizational Transactions excluding the offering (unaudited)	Notes	Pro Forma, as adjusted, for the Orange142 acquisition and Organizational Transactions (unaudited)
Revenues												
Buy-side advertising	$ 4,377,708	$ 17,938,081	$ —	$ —		$	$ 9,656,165	$ 17,938,081	$ —	$ —		$
Sell-side advertising	1,498,300	—	—	—			2,821,354	—	—	—		
Total revenues	5,876,008	17,938,081	—	—			12,477,519	17,938,081	—	—		
Cost of revenues												
Buy-side advertising	2,836,035	5,267,463	—	—			4,864,234	5,267,463	—	—		
Sell-side advertising	1,350,083	—	—	—			2,440,975	—	—	—		
Total cost of revenues	4,186,118	5,267,463	—	—			7,305,209	5,267,463	—	—		
Gross profit	1,689,890	12,670,618	—				5,172,310	12,670,618	—			
Operating expenses												
Compensation, taxes and benefits	1,324,196	4,038,610	(277,584)	—	(1)		3,334,060	4,038,610	(277,584)	—	(1)	
General and administrative	600,543	757,540	2,185,364	—	(2), (3)		1,848,407	757,540	2,185,364	—	(2), (3)	
Acquisition transaction costs	650,000	—	(650,000)	—	(4)		834,407	—	(834,407)	—	(4)	
Total operating expenses	2,574,739	4,796,150	1,257,780	—			6,016,874	4,796,150	1,073,373	—		
(Loss) income from operations	(884,849)	7,874,468	(1,257,780)	—			(844,564)	7,874,468	(1,073,373)	—		
Other income (expense)												
Other income	134,761	11,900	—	—			134,776	11,900	—	—		
Forgiveness of Paycheck Protection Program loan	—	—	—	—			277,100	—	—	—		
Gain from revaluation and settlement of seller notes and earnout liability	401,677	—	—	—			401,677	—	—	—		
Interest expense	(19,925)	—	(2,209,178)	—	(5)		(865,055)	—	(2,071,951)	—	(5)	
Total other income (expense)	516,513	11,900	(2,209,178)	—			(51,502)	11,900	(2,071,951)	—		
Tax expense	(12,154)	(48,971)	—		(6)		(12,124)	(48,971)	—		(6)	
Net (loss) income	$ (380,490)	$ 7,837,397	$ (3,466,958)	$		$	$ (908,190)	$ 7,837,397	$ (3,145,324)	$		$

(1) Represents the salaries paid to Mark Walker and Keith Smith that were reversed due to their consulting agreements entered into upon the acquisition. The amount paid to Messrs. Walker and Smith during the year ended December 31, 2020 for the period of January 1, 2020 through the acquisition date of September 30, 2020 was $277,584.

(2) Represents the consulting agreements entered into upon the acquisition of Orange142 for Messrs. Walker and Smith and Leah Woolford. Mr. Walker serves as Chairman of the board of directors and Chief Executive Officer of the Company. Smith serves as manager of the board of DDH LLC and President of the Company. Ms. Woolford serves as manager of the board of, and Senior Advisor to, DDH LLC. In exchange, we pay Messrs. Walker and Smith annual fees of $450,000 each and employee benefits for their direct families. We pay Ms. Woolford $300 per hour for up to 50 hours per month and employee benefits for Ms. Woolford and her direct family. We paid Messrs. Walker and Smith and Ms. Woolford a total of $360,000 from September 30, 2020 through December 31, 2020, and the pro forma adjustment of $720,000 represents the consulting expense for the period of January 1, 2020 through September 30, 2020.

(3) General and administrative expenses were increased $1,465,364 to record the amortization expense associated with the identifiable intangible assets acquired in the acquisition for the period of January 1, 2020 through September 30, 2020.

(4) Represents acquisition transaction costs related to referral and legal fees that were reversed for the nine months ended September 30, 2020 and the year ended December 31, 2020.

(5) In connection with the acquisition, we entered into a loan and security agreement that provides for a term loan in the principal amount of $12.825 million, which bears a fixed interest rate of 16% (see additional information under *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Our Credit Facilities*" below). We also issued mandatorily redeemable 10% preferred A units and 7% preferred B units, which are classified as liabilities in the consolidated balance sheets, and as such, the associated dividend payments are recorded as interest expense. Pro forma interest expense represents the adjustment to reflect the additional interest incurred under the term loan and preferred units.

(6) Includes the effects of the tax receivable agreement to be entered into after this offering by and among the Company, DDH LLC and the Continuing LLC Owners. See the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*" for additional information.

	As of September 30, 2021				As of December 31, 2020			
	Actual	Pro forma adjustments for the Organizational Transactions excluding the offering	Notes	Pro forma for the Organizational Transactions (unaudited)	Actual	Pro forma adjustments for the Organizational Transactions excluding the offering	Notes	Pro forma for the Organizational Transactions (unaudited)
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 2,603,152	$		$	$ 1,611,998	$		$
Accounts receivable, net	3,903,809				4,679,376			
Prepaid expenses and other current assets	727,075				223,344			
Total current assets	7,234,036				6,514,718			
Goodwill	6,519,636				6,519,636			
Intangible assets, net	16,080,032				17,545,396			
Deferred financing costs, net	51,775				90,607			
Other long-term assets	12,948				25,118			
Total assets	$29,898,427	$		$	$30,695,475	$		$
LIABILITIES AND MEMBERS'/STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES								
Accounts payable	$ 3,110,281	$		$	$ 3,263,326	$		$
Accrued liabilities	1,510,563				1,392,520			
Notes payable, current portion	2,611,685				1,206,750			
Deferred revenues	684,303				308,682			
Related party payables	69,837				70,801			
Seller notes payable					315,509			
Seller earnout payable					74,909			
Total current liabilities	7,986,669				6,632,497			
Notes payable, net of short-term portion and $284,741 and $501,796 of deferred financing cost as of September 30, 2021 and December 31, 2020, respectively	9,086,328				11,213,697			
Mandatorily redeemable non-participating preferred units	9,913,940				9,913,940			
Line of credit	407,051				407,051			
Paycheck Protection Program loan	287,143				10,000			
Economic Injury Disaster Loan	150,000				150,000			
Total liabilities	28,831,131				28,327,185			
MEMBERS'/STOCKHOLDERS' EQUITY								
Units, 1,000,000 units authorized as of September 30, 2021 and December 31, 2020; units issued and outstanding as of September 30, 2021 and December 31, 2020	4,294,241				4,294,241			
Class A common stock, par value $0.001 per share	—							
Class B common stock, par value per share	—				—			
Additional paid-in-capital	—				—			
Accumulated deficit	(2,226,945)				(1,925,951)			
Total members'/stockholders' equity	2,067,296				2,368,290			
Total liabilities and members'/stockholders' equity	$29,898,427	$		$	$30,695,475	$		$

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information included under "Business" and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The discussion and analysis below are based on comparisons between our historical financial data for different periods and include certain forward-looking statements about our business, operations and financial performance. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors described in "Risk Factors." Our actual results may differ materially from those expressed in, or implied by, those forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements." The following discussion does not give effect to the Organizational Transactions. See the sections titled "Organizational Transactions" and "Unaudited Pro Forma Consolidated Financial Information" included elsewhere in this prospectus for a description of the Organizational Transactions and their effect on our historical results of operations.

The following discussion contains references to calendar year 2019 and calendar year 2020, as well as to the nine months ended September 30, 2020 and 2019, which represent the consolidated financial results of our predecessor DDH LLC and its subsidiaries for the years ended December 31, 2020 and 2019, and the nine months ended September 30, 2021 and 2020, respectively. Unless we state otherwise or the context otherwise requires, the terms "we," "us," "our," and "Direct Digital" and similar references refer: (1) on or following the consummation of the Organizational Transactions, including this offering, to Direct Digital Holdings, Inc. ("Holdings") and its consolidated subsidiaries, including DDH LLC, and (2) prior to the consummation of the Organizational Transactions, including this offering, to DDH LLC and its consolidated subsidiaries.

Overview

Direct Digital Holdings, Inc. and its subsidiaries (collectively the "Company," "DDH," "we," "us" and "our"), headquartered in Houston, Texas, is an end-to-end, full-service programmatic advertising platform primarily focused on providing advertising technology, data-driven campaign optimization and other solutions to underserved and less efficient markets on both the buy- and sell-side of the digital advertising ecosystem. Holdings is the holding company that will, immediately following this offering, own newly issued common units of Direct Digital Holdings, LLC ("DDH LLC"), which operates the business formed in 2018 through the acquisition of Huddled Masses LLC ("Huddled Masses") a buy-side marketing platform, and Colossus Media LLC ("Colossus Media") a sell-side marketing platform. On September 30, 2020, DDH LLC acquired Orange142, LLC ("Orange142") to further bolster its overall programmatic buy-side advertising platform and enhance its offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small- and mid-sized businesses (which we define as companies with revenue between $5 million and $500 million) transitioning into digital with growing digital media budgets.

The subsidiaries of DDH LLC are as follows:

Subsidiary	Current % Ownership	Advertising Solution and Segment	Date of Formation	Date of Acquisition
Huddled Masses, LLC	100%	Buy-side	November 13, 2012	June 21, 2018
Colossus Media, LLC	100%	Sell-side	September 8, 2017	June 21, 2018
Orange142, LLC	100%	Buy-side	March 6, 2013	September 30, 2020

Both buy-side advertising businesses, Huddled Masses and Orange142, offer technology-enabled advertising solutions and consulting services to clients through multiple leading demand side platforms ("DSPs"). Colossus Media is our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™ ("Colossus SSP"). Colossus SSP is a stand-alone tech-enabled, data- driven sell-side platform ("SSP") that helps deliver targeted advertising to diverse and multicultural audiences, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers, as well as other specific audiences.

Providing both the front-end, buy-side advertising businesses coupled with our proprietary sell-side business, enables us to curate the first through the last mile in the ad tech ecosystem execution process to drive higher results.

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and assessing performance. Our chief operating decision maker is our Chairman and Chief Executive Officer. We view our business as two reportable segments, buy-side advertising, which includes the results of Huddled Masses and Orange142, and sell-side advertising, which includes the results of Colossus Media.

Recent Developments

COVID-19 Industry Impact

The onset of the COVID-19 pandemic caused a material reduction in advertising spending across all channels. Advertising spending is estimated to have decreased 30-50% during the height of the lockdown with ad budgets reduced due to economic shock (e.g., lodging, restaurants) and the cancellation of major events (e.g., concerts, Olympics). The linear TV segment was among the hardest hit as small- and medium sized business owners cut back on local broadcast and cable advertising, cable networks couldn't air live sports and the production of content ground to a halt. Cord cutting, the practice of ending a cable or satellite television service, is also expected to remain elevated. Research conducted by The Trade Desk estimated that approximately 27% of U.S. households would end their cable TV subscription by the end of 2021, roughly nine times the rate of cord cutting over the last few years. The connected television ("CTV") and advertisement-based video on demand ("AVOD") channels, which include televisions with integrated internet and ad-based streaming services, held up the best during the pandemic, but these channels remain less than 3% of total TV advertising spend. Overall, the industry is seeing an accelerated shift of advertisement spending from the traditional linear television channel to digital channels such as CTV and AVOD.

Direct Digital Holdings was incorporated in August 2021 for the purpose of this offering and has engaged to date only in activities in contemplation of this offering. Direct Digital Holdings will be a holding company and its sole material asset will be a controlling ownership interest in DDH LLC. For more information regarding our reorganization and holding company structure, see the section titled "*Organizational Transactions*." Upon completion of this offering, all of our business will be conducted through DDH LLC and its consolidated subsidiaries. DDH LLC has been treated as a pass-through entity for U.S. federal and state income tax purposes and accordingly has not been subject to U.S. federal or state income tax. After consummation of this offering, DDH LLC will continue to be treated as a pass-through entity for U.S. federal and state income tax purposes. As a result of its ownership of LLC Units in DDH LLC, Direct Digital Holdings will become subject to U.S. federal, state and local income taxes with respect to its allocable share of any taxable income of DDH LLC and will be taxed at the prevailing corporate tax rates. In addition to tax expenses, we also will incur expenses related to our operations, and we will be required to make payments under the Tax Receivable Agreement with certain of the Continuing LLC Owners and DDH LLC. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of LLC Units exchanges, and the resulting amounts we are likely to pay out to Continuing LLC Owners pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial in the event we are profitable. See the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Tax Receivable Agreement*" for more information about expected payments under the Tax Receivable Agreement.

Key Factors Affecting Our Performance

We believe our growth and financial performance are dependent on many factors, including those described below.

Buy-side advertising business

New Customer Acquisitions

On the buy-side of our business, our customers consist of purchasers of programmatic advertising inventory. We had approximately 150 direct customers with approximately 4,000 different campaigns during

the year ended December 31, 2020, and we had approximately 158 direct customers with approximately 1,824 different campaigns during the nine months ended September 30, 2021, consisting of advertising buyers, including small- and mid-sized companies, large advertising holding companies (which may manage several agencies), independent advertising agencies and mid-market advertising service organizations. We serve a variety of customers across multiple industries including travel/tourism (including destination marketing organizations ("DMOs")), energy, consumer packaged goods, healthcare, education, financial services (including cryptocurrency technologies) and other industries.

We are focused on increasing the number of customers that use our buy-side advertising businesses for their advertising partner. Our long-term growth and results of operations will depend on our ability to attract more customers, including DMOs, across multiple geographies.

Expand Sales to Existing Customers

Our customers understand the independent nature of our platform and relentless focus on driving results based on return on investment ("ROI"). Our value proposition is complete alignment across our entire digital supply platform beginning with the first dollar in and last dollar out. We are technology, DSP and media agnostic, and our clients trust us to provide the best opportunity for success of their brands and businesses. As a result, our clients have been loyal, with over 90% client retention from the fiscal year ended 2019 to the fiscal year ended 2020 among the clients that represent approximately 80% of our revenue. Our revenue from the top two largest customers accounted for approximately 25% and 41% of our total revenues in the fiscal years ended December 31, 2019 and 2020, respectively, and for approximately 33% and 51% of our total revenues in the nine months ended September 30, 2021 and 2020, respectively. Our revenue from our top ten largest customers accounted for approximately 59% and 75% of our total revenues in the fiscal years ended December 31, 2020 and 2019, respectively, and for approximately 69% and 92% of our total revenues in the nine months ended September 30, 2021 and 2020, respectively.

In addition, we cultivate client relationships through our pipeline of moderate and self-serve clients that conduct campaigns through our platform that eventually grow into managed service clients, which has resulted in their increased use of our platform over time. As our clients expand their usage of our technology platform, they often transition to our managed services delivery model, which in turn drives increased client loyalty. The managed services delivery model allows us to combine our technology with a highly personalized offering to strategically design and manage advertising campaigns, provide ad hoc support and recommend strategy adjustments as needed.

Shift to Digital Advertising

Media has increasingly become more digital as a result of three key items:

- Advances in technology with more sophisticated digital content delivery across multiple platforms;
- Changes in consumer behavior, including spending longer portions of the day using mobile and other devices; and
- Better audience segmentation with more efficient targeting and measurable results.

The resulting shift has enabled a variety of options for advertisers to efficiently target and measure their advertising campaigns across nearly every media channel and device. These efforts have been led by big-budgeted, large, multi-national corporations incentivized to cast a broad advertising net to support national brands. Based on eMarketer data, 65% of small- and mid-sized companies expect to increase their programmatic advertising budget, and of those companies, 12% expect to increase their advertising budget by over 25%.

Increased Adoption of Digital Advertising by Small-and Mid-Sized Companies

Only recently small- and mid-sized businesses have begun to leverage the power of digital media in meaningful ways, as emerging technologies have enabled advertising across multiple channels in a highly localized nature. Campaign efficiencies yielding measurable results and higher advertising ROI, as well as the needs necessitated by the COVID-19 pandemic, have prompted these companies to begin utilizing digital

advertising on an accelerated pace. We believe this market is rapidly expanding, and that small-to-mid-sized advertisers will continue to increase their digital spend.

Seasonality

In general, the marketing industry experiences seasonal trends that affect the vast majority of participants in the digital marketing ecosystem. Our revenue base is weighted to DMOs and historically, marketing spend is higher in the second and third quarters of our fiscal year with the increase in marketing spend taking place over the summer months. As a result, the fourth and first quarters tend to reflect lower activity levels and lower performance. We generally expect these seasonality trends to continue and our ability to effectively manage our resources in anticipation of these trends may affect our operating results.

Sell-side advertising business

Increasing revenue from publishers and advertising spend from buyers

Colossus Media operates our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP. The buyers on our platform include DSPs, agencies and individual advertisers. We have broad exposure to the ecosystem of buyers, reaching on average approximately 56,025 advertisers per month during the nine months ended September 30, 2021, representing an increase from approximately 15,400 per month in 2020. As spending on programmatic advertising increasingly becomes a larger share of the overall ad spend, advertisers and agencies are seeking greater control of their digital advertising supply chains. To take advantage of this industry shift, we have entered into Supply Path Optimization agreements directly with buyers. As part of these agreements, we are providing advertisers and agencies with benefits ranging from custom data and workflow integrations, product features, volume-based business terms, and visibility into campaign performance data and methodology. As a result of these direct relationships, our existing advertisers and agencies are incentivized to allocate an increasing percentage of their advertising budgets to our platform.

We have broad exposure to the ecosystem of buyers, which has consistently increased since the formation of Colossus Media in September 2017. Our growing sales team seeks to increase our business with the addition of new and existing publishers as well as by increasing our universe of buyers. In addition, establishing multiple header bidding integrations by leveraging our technology capabilities allows us to maximize our access to publishers' ad formats, devices and various properties that a publisher may own. We may also up-sell additional products to publisher customers including our header bidding management, identity, and audience solutions. Our business strategy on the sell-side advertising business represents growth potential, and we believe we are well positioned to be able to bring underserved multicultural publishers into the advertising ecosystem, thereby increasing our value proposition across all clients, including our large clients.

Monetizing ad impressions for publishers and buyers

We focus on monetizing digital impressions by coordinating daily real-time auctions and bids. The publisher makes its ad inventory available on Colossus SSP and invites advertisers to bid based on the user's data received. Each time the publisher's web page loads, an ad request is sent to multiple ad exchanges and, in some cases, to the demand side platform directly from Colossus SSP. In case of real-time bidding (or RTB) media buys, many DSPs would place bids to the impressions being offered by the publisher during the auction. The advertiser that bids a higher amount compared to other advertisers will win the bid and pay the second highest price for the winning impression to serve the ads. We continuously review our available inventory from existing publishers across every format (mobile, desktop, digital video, over-the-top/connected TV ("OTT/CTV") and rich media). The factors we consider when determining which impressions we process include transparency, viewability, and whether or not the impression is human sourced. By consistently applying these criteria, we believe the ad impressions we process will be valuable and marketable to advertisers.

Enhancing ad inventory quality

In 2021, Colossus Media was ranked by MediaMath as 4th among the industry's approximately 80 supply-side companies in terms of key quality measures such as transparency, fraud detection and

accountability. In the advertising industry, inventory quality is assessed in terms of invalid traffic ("IVT") which can be impacted by fraud such as "fake eyeballs" generated by automated technologies set up to artificially inflate impression counts. As a result of our platform design and proactive IVT mitigation efforts, during each of the fiscal year ended December 31, 2020 and the nine months ended September 30, 2021, less than 1% of inventory was determined to be invalid, resulting in minimal financial impact to our customers. We address IVT on a number of fronts, including sophisticated technology, which detects and avoids invalid traffic on the front end; direct publisher and inventory relationships, for supply path optimization; and ongoing campaign and inventory performance review, to ensure inventory quality and brand protection controls are in place.

Growing access to valuable ad impressions

Our recent growth has been driven by a variety of factors including increased access to mobile web (display and video) and mobile app (display and video) impressions and desktop video impressions. Our performance is affected by our ability to maintain and grow our access to valuable ad impressions from current publishers as well as through new relationships with publishers. During the year ended December 31, 2020, we processed approximately 1.0 trillion bid requests and had 19 DSPs, and during the nine months ended September 30, 2021, we processed approximately 202 billion bid requests and had 32 DSPs.

Expanding and managing investments

Each impression or transaction occurs in a fraction of a second. Given that most transactions take place in an auction/bidding format, we continue to make investments across the platform to further reduce the processing time. In addition to the robust infrastructure supporting our platform, it is also critical that we align with key industry partners in the digital supply chain. The Colossus SSP is agnostic to any specific demand side platform.

We automate workflow processes whenever feasible to drive predictable and value-added outcomes for our customers and increase productivity of our organization. In the first quarter of 2022, we expect to transition our server platform to HPE Greenlake, which we expect will provide increased capacity, faster response time and expansion capabilities to align with growth in our business.

Managing industry dynamics

We operate in the rapidly evolving digital advertising industry. Due to the scale and complexity of the digital advertising ecosystem, direct sales via manual, person-to-person processes are insufficient for delivering a real-time, personalized ad experience, creating the need for programmatic advertising. In turn, advances in programmatic technologies have enabled publishers to auction their ad inventory to more buyers, simultaneously, and in real time through a process referred to as header bidding. Header bidding has also provided advertisers with transparent access to ad impressions. As advertisers keep pace with ongoing changes in the way that consumers view and interact with digital media we anticipate further innovation and expect that header bidding will be extended into new areas such as OTT/CTV. We believe our focus on publishers and buyers has allowed us to understand their needs and our ongoing innovation has enabled us to quickly adapt to changes in the industry, develop new solutions and do so cost effectively. Our performance depends on our ability to keep pace with industry changes such as header bidding and the evolving needs of our publishers and buyers while continuing our cost efficiency.

Seasonality

The advertising industry experiences seasonal trends that affect the vast majority of participants in the digital advertising ecosystem. Most notably, advertisers have historically spent relatively more in the fourth quarter of the calendar year to coincide with the holiday shopping season, and relatively less in the first quarter. We expect seasonality trends to continue, and our ability to manage our resources in anticipation of these trends will affect our operating results.

Components of Our Results of Operations

Revenue

On the buy-side advertising business, we generate revenue from clients that engage us to provide digital marketing and media services to purchase digital advertising, data, and other add-on features. Buy-side

revenue arrangements are evidenced by fully executed insertion orders ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign.

On the sell-side advertising business, we generate revenue from publishing clients by selling their advertising inventory to national and local advertisers. We generate revenue on the sell-side through the monetization of publisher ad impressions on our platform, which allows publishers to sell, in real time, ad impressions to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats.

Our buy-side digital advertising purchasing process has the functionality to direct the fulfillment to our sell-side business through an independent third-party marketplace exchange.

We report revenue on a gross basis inclusive of all supplier costs because we bear the full obligation of any costs to provide our services. We pay suppliers for the cost of digital media, advertising inventory, data and any add-on services or features.

Our revenue recognition policies are discussed in more detail under *"— Critical Accounting Policies and Estimates."*

Cost of Revenues

Cost of revenues for our buy-side advertising business consists primarily of digital media fees, third-party platform access fees and other third-party fees associated with providing services to our customers. For the sell-side advertising business, we pay publishers a fee, which is typically a percentage of the value of the ad impressions monetized through our platform. Cost of revenues consists primarily of publisher media fees and data center co-location costs. Media fees include the publishing and real time bidding costs to secure advertising space.

Operating Expenses

Operating expenses consists of compensation expenses related to our executive, sales, finance, and administrative personnel (including salaries, commissions, bonuses, benefits and taxes), general and administrative expenses for rent expense, professional fees, independent contractor costs, selling and marketing fees, and operating system subscription costs, as well as amortization expense related to our intangible assets. In fiscal year 2020, we acquired Orange142 and incurred transaction costs primarily consisting of legal fees.

Other (Expense) Income

Other income. Other income includes income associated with recovery of receivables and other miscellaneous credit card rebates.

Forgiveness of PPP Loan. In 2020, we applied and were approved for a $287,100 loan pursuant to the Paycheck Protection Program ("PPP"), administered by the U.S. Small Business Administration ("SBA"). Forgiveness of PPP loans is recognized as a gain in the period it is granted. For the year ended December 31, 2020, we recognized $277,100 as a gain, and the remaining $10,000 gain was recognized in the nine months ended September 30, 2021. The PPP loans were entered into by DDH LLC and there are no PPP loans held by our subsidiaries.

Gain from revaluation and settlement of notes and earnout liability. When Huddled Masses and Colossus Media were acquired, we entered into seller notes ("Seller Notes") and seller earnout agreements ("Seller Earnouts") with the former selling shareholders ("Former Shareholders"). During fiscal year 2020, we entered into a settlement agreement ("Settlement Agreement") with the Former Shareholders, and as a result, recorded a net gain in the nine months ended September 30, 2020.

Interest Expense. Interest expense is mainly related to our debt that was entered into by DDH LLC, which carries a variable interest rate. In connection with the acquisition of Orange142, we issued mandatorily redeemable non-participating preferred A and B units, and in accordance with Accounting Standards

Codification ("ASC") 480, *Distinguishing Liabilities from Equity*, the value of these units are classified as a liability, and the corresponding distributions are recognized as interest expense.

Results of Operations

Comparison of the Fiscal Years Ended December 31, 2020 and 2019

The following tables set forth our consolidated results of operations for the periods presented. As noted above, we acquired Orange142 on September 30, 2020, and accordingly, three months of Orange142's results are included in our financial results. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Year Ended December 31,		Change	
	2020	2019	Amount	Pcnt
Revenues				
Buy-side advertising	$ 9,656,165	$5,472,485	$4,183,680	76%
Sell-side advertising	2,821,354	798,622	2,022,732	253%
Total revenues	12,477,519	6,271,107	6,206,412	99%
Cost of revenues				
Buy-side advertising	4,864,234	3,720,594	1,143,640	31%
Sell-side advertising	2,440,975	816,083	1,624,892	199%
Total cost of revenues	7,305,209	4,536,677	2,768,532	61%
Gross profit	5,172,310	1,734,430	3,437,880	198%
Operating expenses	6,016,874	2,606,898	3,409,976	130%
Loss from operations	(844,564)	(872,468)	27,904	3%
Other (expense) income	(51,502)	27,837	(79,339)	-285%
Tax expense	(12,124)	(39,137)	27,012	69%
Net loss	$ (908,190)	$ (883,768)	$ (24,422)	-3%
Adjusted EBITDA[(1)]	$ 613,074	$ (866,617)	$1,479,690	171%

(1) For a definition of Adjusted EBITDA, an explanation of our management's use of this measure, and a reconciliation of Adjusted EBITDA to net income, see "*Prospectus Summary — Non-GAAP Financial Measures*."

Revenues

Our revenues increased from $6.3 million in 2019 to $12.5 million in 2020, an increase of $6.2 million or 99%. Buy-side advertising revenue increased $4.2 million or 76%, while sell-side advertising revenue increased $2.0 million, or 253% over fiscal year 2019. The increase in our buy-side advertising revenue was primarily as a result of the acquisition of Orange142, which contributed $4.3 million of the increase, as Orange142's revenues only were included in three months of our results of operations during fiscal year 2020. Organic buy-side advertising revenues declined by $0.1 million year over year due to $0.5 million of lower media revenue, partially offset by $0.4 million of higher consulting revenue. Our buy-side advertising business was also impacted by COVID-19, as our customer base experienced a slowdown in demand for products and services. The increase in our sell-side advertising revenue was the result of an overall increase in advertising spend by our customers.

Cost of Revenues

Along with the increase in gross sales across the platform, we correspondingly experienced an increase in cost of revenues from $4.5 million in 2019 to $7.3 million in 2020, an increase of $2.8 million or 61%. Buy- side advertising cost of revenues increased $1.1 million, or 31%, primarily due to the acquisition of Orange142, which contributed $1.3 million of the increase. Organic buy-side advertising cost of revenues

decreased $0.2 million from the prior year. Sell-side advertising cost of revenues increased $1.6 million, or 199%, over 2019 to provide increased advertising purchased by clients in fiscal year 2020. In fiscal year 2019, our sell-side advertising business had not yet met its breakeven point, and the fixed costs such as data center co- location and programming support caused the cost of revenues to exceed revenue for that period.

Gross Profit

Gross profit also increased in the year ended December 31, 2020 to $5.2 million, compared to $1.7 million for the year ended December 31, 2019, an increase of $3.4 million or 198%. Buy-side advertising gross profit increased $3.0 million, primarily due to the acquisition of Orange142. Organic buy-side advertising gross profit increased $0.1 million over the prior year. Sell-side advertising gross profit increased $0.4 million over 2019, primarily as a result of the increase in revenue.

Operating Expenses

The following table sets forth the components of operating expenses for the periods presented.

	Year Ended December 31,		Change	
	2020	2019	Amount	Pcnt
Operating Expenses				
Compensation, taxes and benefits	$3,334,060	$1,613,692	$1,720,368	107%
General and administrative	1,848,407	993,206	855,201	86%
Acquisition transaction costs	834,407	—	834,407	nm
Total operating expenses	$6,016,874	$2,606,898	$3,409,976	131%

Compensation, taxes and benefits

Compensation, taxes and benefits increased from $1.6 million in 2019 to $3.3 million in 2020, an increase of $1.7 million, or 107%. The increase was primarily due to $1.5 million of additional compensation and benefits paid to employees added in connection with the acquisition of Orange142, as well as an increase of $0.3 million attributable to higher commissions and hiring of additional personnel to support our growth.

General and Administrative Expenses

General and administrative ("G&A") expenses also increased from 2019 to 2020, primarily due to the acquisition of Orange142 and the $0.5 million of amortization expense recorded in connection with the intangible assets identified in the valuation of the transaction. During the year ended December 31, 2019, our G&A costs were $1.0 million, compared to $1.9 million during the year ended December 31, 2020, an increase of $0.9 million or 89%. For the year ended December 31, 2019, G&A expenses as a percentage of revenue was 15.8% compared to 16.8% for the year ended December 31, 2020. For the year ended December 31, 2020, we recorded $0.5 million for intangible asset amortization expense, or 3.9% of revenue. During 2021, we have invested in systems and infrastructure and incurred additional consulting expenses.

We expect to invest in corporate infrastructure and incur additional expenses associated with our transition to and operation as a public company, including increased compensation associated with additional headcount to support our sales initiatives, legal and accounting costs, higher insurance premiums, and compliance costs associated with developing the requisite infrastructure required for internal controls. As a result, we expect G&A expenses to increase in absolute dollars in future periods.

Acquisition Transaction Costs

During the year ended December 31, 2020, the Company incurred $0.8 million in acquisition transaction costs related to the acquisition of Orange142. These expenses primarily related to legal fees and closing costs.

Other (Expense) Income

The following table sets forth the components of other income (expense) for the periods presented.

	Year Ended December 31,		Change	
	2020	2019	Amount	Pcnt
Other (expense) income				
Other income	$ 134,776	$ 5,851	$ 128,925	nm
Forgiveness of PPP loan	277,100	—	277,100	nm
Gain from revaluation and settlement of seller notes and earnout liability	401,677	79,091	322,586	408%
Interest expense	(865,055)	(57,105)	(807,950)	nm
Total other (expense) income	$ (51,502)	$ 27,837	$ (79,339)	-285%

Other income for the year ended December 31, 2020 is comprised of approximately $0.1 million in other income as a result of recovery of a receivable, $0.3 million for forgiveness of the PPP loans, and a $0.4 million gain as a result of the Settlement Agreement with the Former Shareholders of Huddled Masses and Colossus Media for the Seller Earnouts and Seller Notes.

Other income for the year ended December 31, 2019 included $0.1 million of gain as a result of the revaluation of Seller Earnout liability with the Former Shareholders of Huddled Masses and Colossus Media.

Interest Expense

We experienced a net increase in interest expense of $0.8 million as interest expense increased from approximately $57,000 during the year ended December 31, 2019 to $0.9 million during the year ended December 31, 2020. The increase in interest expense was the result of financing activities related to the Orange142 acquisition and reflects approximately three months of interest expense in 2020.

Comparison of the Nine Months Ended September 30, 2021 and 2020

The following tables set forth our consolidated results of operations for the periods presented. As noted above, we acquired Orange142 on September 30, 2020, and accordingly, nine months of Orange142's results are included in our financial results for the nine months ended September 30, 2021. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Pcnt
Revenues				
Buy-side advertising	$ 19,975,235	$ 4,377,708	$15,597,527	356%
Sell-side advertising	5,261,135	1,498,300	3,762,835	251%
Total revenues	25,236,370	5,876,008	19,360,362	329%
Cost of revenues				
Buy-side advertising	7,480,727	2,836,035	4,644,692	164%
Sell-side advertising	4,348,756	1,350,083	2,998,673	222%
Total cost of revenues	11,829,483	4,186,118	7,643,365	183%
Gross profit	13,406,887	1,689,890	11,716,997	693%
Operating expenses	10,346,159	2,574,739	7,771,420	302%
Income (loss) from operations	3,060,728	(884,849)	3,945,577	446%
Other (expense) income	(2,382,149)	516,513	(2,898,662)	-561%
Tax expense	(54,878)	(12,154)	(42,724)	-352%

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Pcnt
Net income (loss)	$ 623,701	$ (380,490)	$1,004,191	264%
Adjusted EBITDA[(1)]	$ 4,545,278	$ (100,088)	$4,645,366	464%

(1) For a definition of Adjusted EBITDA, an explanation of our management's use of this measure, and a reconciliation of Adjusted EBITDA to net income, see "*Prospectus Summary — Non-GAAP Financial Measures*."

Revenues

Our revenues increased from $5.9 million for the nine months ended September 30, 2020 to $25.2 million for the nine months ended September 30, 2021, an increase of $19.4 million, or 329%. Buy-side advertising revenue increased $15.6 million, or 356%, while sell-side advertising revenue increased $3.8 million, or 251%, over the nine months ended September 30, 2020. The increase in our buy-side advertising revenue was as a result of the acquisition of Orange142, which contributed $15.9 million of the increase, as Orange142's revenues were only included in our results of operations for the nine months ended September 30, 2021. Organic buy-side advertising revenues declined by $0.3 million from the prior period due to $1.6 million of lower consulting revenue, partially offset by $1.3 million of higher media revenue. The increase in our sell-side advertising revenue was the result of an overall increase in advertising spend by our customers.

Cost of Revenues

Along with the increase in gross sales across the platform, we correspondingly experienced an increase in cost of revenues from $4.2 million for the nine months ended September 30, 2020 to $11.8 million for the nine months ended September 30, 2021, an increase of $7.6 million, or 183%. Buy-side advertising cost of revenues increased $4.6 million, or 164%, primarily due to the acquisition of Orange142, which contributed $5.0 million of the increase. Organic buy-side advertising cost of revenues decreased $0.4 million from the prior period as a result of lower revenue. Sell-side advertising cost of revenues increased $3.0 million, or 222%, over the nine months ended September 30, 2020 to provide increased advertising purchased by clients during the nine months ended September 30, 2021.

Gross Profit

Gross profit also increased in the nine months ended September 30, 2021 to $13.4 million, compared to $1.7 million for the nine months ended September 30, 2020, an increase of $11.7 million, or 693%. Buy-side advertising gross profit increased $11.0 million, primarily due to the acquisition of Orange142. Organic buy-side advertising gross profit increased $0.1 million over the prior year period. Sell-side advertising gross profit increased $0.7 million over the nine months ended September 30, 2020, primarily as a result of the increase in revenue.

Operating Expenses

The following table sets forth the components of operating expenses for the periods presented.

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Pcnt
Operating Expenses				
Compensation, taxes and benefits	$ 6,131,930	$ 1,324,196	$4,807,734	363%
General and administrative	4,214,229	600,543	3,613,686	602%
Acquisition transaction costs	—	650,000	(650,000)	nm
Total operating expenses	$ 10,346,159	$ 2,574,739	$7,771,420	302%

Compensation, taxes and benefits

Compensation, taxes and benefits increased from $1.3 million for the nine months ended September 30, 2020 to $6.1 million for the nine months ended September 30, 2021, an increase of $4.8 million, or 363%.

The increase was primarily due to $4.2 million of additional compensation and benefits paid to employees added in connection with the acquisition of Orange142, as well as an increase of $0.6 million attributable to higher commissions and hiring of additional personnel to support our growth.

General and Administrative Expenses

During the nine months ended September 30, 2020, our G&A expenses were $0.6 million, compared to $4.2 million during the nine months ended September 30, 2021, an increase of $3.6 million, or 602%, primarily due to the acquisition of Orange142, as well as higher professional fees. The acquisition of Orange142 and the amortization expense recorded in connection with the intangible assets identified in the valuation of the transaction represented $0.7 million and $1.5 million of the increase, respectively. For the nine months ended September 30, 2021, we have invested in systems and infrastructure and incurred additional professional fees and consulting expenses.

We expect to invest in corporate infrastructure and incur additional expenses associated with our transition to and operation as a public company, including increased compensation associated with additional headcount to support our sales initiatives, legal and accounting costs, higher insurance premiums, and compliance costs associated with developing the requisite infrastructure required for internal controls. As a result, we expect G&A expenses to increase in absolute dollars in future periods.

Acquisition Transaction Costs

During the nine months ended September 30, 2020, the Company incurred $0.7 million in acquisition transaction costs related to the acquisition of Orange142. These expenses primarily related to legal fees and closing costs.

Other (Expense) Income

The following table sets forth the components of other (expense) income for the periods presented.

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Pcnt
Other income	$ 19,186	$ 134,761	$ (115,575)	-86%
Forgiveness of PPP loan	10,000	—	10,000	nm
Gain from revaluation and settlement of seller notes and earnout liability	21,232	401,677	(380,445)	-95%
Interest expense	(2,432,567)	(19,925)	(2,412,642)	nm%
Total other (expense) income	$ (2,382,149)	$ 516,513	$(2,898,662)	-561%

Other income for the nine months ended September 30, 2021 is comprised of approximately $19,000 primarily related to credit card cash rebates, $10,000 of forgiveness of PPP loans and a gain of approximately $21,000 as a result of the final earnout revaluation related to the Former Shareholders of Huddled Masses and Colossus Media for the Seller Earnouts.

Other income for the nine months ended September 30, 2020 included $0.1 million in other income as a result of recovery of a receivable, and $0.4 million of gain as a result of the revaluation of Seller Earnout liability with the Former Shareholders of Huddled Masses and Colossus Media.

Interest Expense

We experienced a net increase in interest expense of $2.4 million as interest expense increased from approximately $20,000 during the nine months ended September 30, 2020 to $2.4 million during the nine months ended September 30, 2021. The increase in interest expense was the result of financing activities related to the Orange142 acquisition and reflects nine months of interest expense in 2021.

Liquidity and Capital Resources

The following table summarizes our cash and cash equivalents, working capital (deficiency), and availability under our Revolving Credit Facility (as defined below) on September 30, 2021, December 31, 2020 and December 31, 2019:

	September 30, 2021	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 2,603,152	$ 1,611,998	$ 882,292
Working deficiency	$ (752,633)	$ (117,779)	$ (2,332,508)
Availability under Revolving Credit Facility	$ 592,949	$ 592,949	$ 592,949

We anticipate funding our operations for the next twelve months using available cash, cash flow generated from operations, availability under our Revolving Credit Facility and proceeds from this offering. As of September 30, 2021 and December 31, 2020, we had cash and cash equivalents of approximately $2.6 and $1.6 million, respectively, and $0.6 million available under our Revolving Credit Facility. Based on projections of growth in revenue and operating results in the coming year, the available cash held by us and availability under our Revolving Credit Facility, we believe that we will have sufficient cash resources to finance our operations and service any maturing debt for at least the next twelve months. Depending on our growth and results of operations, we may have to raise additional capital through the issuance of additional equity and/or debt, which could have the effect of diluting our stockholders. Any equity or debt financings, if available at all, may be on terms which are not favorable to us. As our debt or credit facilities become due, we will need to repay, extend or replace such indebtedness. Our ability to do so will be subject to future economic, financial, business and other factors, many of which are beyond our control.

Our Credit Facilities

In September 2020, DDH LLC and each of its subsidiaries as co-borrowers entered into a credit agreement that provides for a revolving credit facility with commitments up to $4.5 million and initial availability of $1.0 million (the "Revolving Credit Facility") and a loan and security agreement that provides for a term loan in the principal amount of $12.825 million (the "Term Loan Facility," and together with the Revolving Credit Facility, the "Senior Secured Credit Facilities"). The loans under the Revolving Credit Facility bear interest at the LIBOR rate plus 3.5% per annum, and on each of September 30, 2021 and December 31, 2020, the rate was 6.75% with a 0.5% unused line fee. The maturity date of the Revolving Credit Facility is September 30, 2022. The term loan under the Term Loan Facility bears interest at 15.0% per annum; provided, that from September 2020 through the payment date in September 2021, DDH LLC is required to pay cash interest at the rate of 13.0% per annum and will owe an additional 3.0% per annum which amount will be deferred and added to the outstanding principal balance of the term loan on each payment date thereafter. All accrued but unpaid interest under the Revolving Credit Facility is payable in monthly installments on each interest payment date until the maturity date when the outstanding principal balance, together with all accrued but unpaid interest, will be due. All accrued but unpaid interest under the Term Loan Facility is payable in monthly installments on each interest payment date and DDH LLC is required to repay the outstanding principal balance on January 15 and July 15 of each calendar year in an amount equal to 37.5% of excess cash flow over the preceding six calendar months until the term loan is paid in full. In January 2021, we made a repayment of $1.2 million with respect to the period ending December 31, 2020. The maturity date of the Term Loan Facility is September 15, 2023.

The obligations under the Term Loan Facility are secured by first-priority liens on all or substantially all assets of the Company and its subsidiaries. The Senior Secured Credit Facilities contain a number of customary affirmative covenants. In addition, the Senior Secured Credit Facilities contain a number of negative covenants, including (subject to certain exceptions) limitations on (among other things): indebtedness, liens, investments, acquisitions, dispositions and restricted payments. Mark Walker and Keith Smith have each provided limited guarantees of the obligations under the Term Loan Facility.

The Revolving Credit Facility is secured by the trade accounts receivable of the Company and guaranteed by Holdings. The Revolving Credit Facility includes financial covenants, including (i) a minimum fixed charge coverage ratio of not less than 1.25 to 1.00 as of the end of each fiscal quarter, commencing with the fiscal quarter ending September 30, 2020, (ii) a maximum total net leverage ratio of 3.00 to 1.00 for

the fiscal quarters ending December 31, 2020 and March 31, 2021, 2.75 to 1.00 for the fiscal quarters ending June 30, 2021 and September 30, 2021, 2.50 to 1.00 for the fiscal quarters ending December 31, 2021 and March 31, 2022, and 2.25 to 1.00 for the fiscal quarters ending thereafter and (iii) a minimum liquidity amount of at least $1.0 million for the period of September 30, 2020 to June 29, 2021, $1.1 million for the period of June 30, 2021 to December 30, 2021, $1.3 million for the period of December 31, 2021 to June 29, 2022 and $1.4 million thereafter. The Term Loan Facility financial covenants include (i) a minimum liquidity amount of at least $1.0 million as of the fiscal quarter ended December 31, 2020, $1.1 million as of the fiscal quarter ended June 30, 2021, $1.3 million as of the fiscal quarter ended December 31, 2021, $1.4 million as of the fiscal quarter ended June 30, 2022 and $1.5 million as of each fiscal quarter ended December 31 and June 30 thereafter, (ii) a maximum total leverage ratio of 3.00 to 1.00 as of the fiscal quarter ended December 31, 2020, 2.75 to 1.00 as of the fiscal quarter ended June 30, 2021, 2.50 to 1.00 as of the fiscal quarter ended December 31, 2021, 2.25 to 1.00 as of the fiscal quarter ended June 30, 2022 and 2.00 to 1.00 as of each fiscal quarter ended December 31 and June 30 thereafter and (iii) a minimum consolidated cash interest ratio of at least 1.25 to 1.00 as of the fiscal quarters ended December 31, 2020 and June 30, 2021, 1.50 to 1.00 as of the fiscal quarter ended December 31, 2021, 1.75 to 1.00 as of the fiscal quarter ended June 30, 2022 and 2.00 to 1.00 as of each fiscal quarter ended December 31 and June 30 thereafter. DDH LLC was in compliance with all of its financial covenants under the Senior Secured Credit Facilities as of September 30, 2021 and December 31, 2020.

The Senior Secured Credit Facilities contain customary events of default, including with respect to a failure to make payments when due, cross-default and cross-judgment default and certain bankruptcy and insolvency events.

On each of September 30, 2021 and December 31, 2020, the Revolving Credit Facility had borrowings outstanding in the amount of $0.4 million, leaving $0.6 million of unused capacity. From time to time, we are required to post financial assurances to satisfy contractual and other requirements generated in the normal course of business. Some of these assurances are posted to comply with federal, state or other government agencies' statutes and regulations.

Consolidated Statement of Cash Flow Data:

	For the Nine Months Ended September 30,		For Year Ended December 31,	
	2021	2020	2020	2019
Net cash provided by (used in) operating activities	$ 3,204,641	$ (952,134)	$ (574,527)	$ 210,243
Net cash used in investing activities	—	(10,985,849)	(10,985,849)	—
Net cash (used in) provided by financing activities	(2,213,487)	13,190,632	12,290,082	43,001
Net increase in cash and cash equivalents	$ 991,154	$ 1,252,649	$ 729,706	$ 253,244

Tax Receivable Agreement

After completion of this offering, Holdings will be a holding company and will have no material assets other than its ownership of LLC Units. Holdings has no independent means of generating revenue. The limited liability company agreement of DDH LLC that will be in effect at the time of this offering provides that certain distributions will be made to cover the taxes of the owners of LLC Units and Holdings' obligations under the Tax Receivable Agreement. As described in the section titled "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement*," in connection with the Organizational Transactions, we will enter into the Tax Receivable Agreement with DDH LLC and each of the Continuing LLC Owners. Due to the uncertainty of various factors, we cannot precisely quantify the tax benefits we may realize as a result of LLC Unit exchanges and the resulting amounts we may need to pay out to certain of the Continuing LLC Owners pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. For example, if we acquired all of the LLC Units of certain of the Continuing LLC Owners in taxable transactions as of this offering, based on an initial public offering price of $ per share (the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus) and on certain assumptions, including that (i) there are no material changes

in relevant tax law and (ii) we earn sufficient taxable income in each year to realize on a current basis all tax benefits that are subject to the Tax Receivable Agreement, we expect that the resulting reduction in tax payments for us, as determined for purposes of the Tax Receivable Agreement, would aggregate to approximately $, substantially all of which would be realized over the next 15 years, and we would be required to pay certain of the Continuing LLC Owners 85% of such amount, or $, over the same period. The actual increases in tax basis with respect to future taxable redemptions, exchanges or purchases of LLC Units, as well as the amount and timing of any payments we will be required to make under the Tax Receivable Agreement in respect of the acquisition of LLC Units from certain Continuing LLC Owners in connection with this offering or future taxable redemptions, exchanges or purchases of LLC Units, may differ materially from the amounts set forth above because the potential future reductions in our tax payments, as determined for purposes of the Tax Receivable Agreement, and the payments we will be required to make under the Tax Receivable Agreement, will each depend on a number of factors, including the market value of our common stock at the time of redemption or exchange and the prevailing federal tax rates applicable to us over the life of the Tax Receivable Agreement. See "*Certain Relationships and Related Person Transactions — Tax Receivable Agreement"* and *"Certain Relationships and Related Person Transactions — DDH LLC Agreement*" for more information.

Cash Flows from Operating Activities

Our cash flows from operating activities are primarily influenced by growth in our operations, increases or decreases in collections from our customers and related payments to our buyers and suppliers of advertising media and data. Cash flows from operating activities have been affected by changes in our working capital, particularly changes in accounts receivable, accounts payable and accrued liabilities. The timing of cash receipts from customers and payments to suppliers can significantly impact our cash flows from operating activities. We typically pay suppliers in advance of collections from our customers, but our collection and payment cycles can vary from period to period. In addition, we expect seasonality to impact cash flows from operating activities on a quarterly basis.

For the Years Ended December 31, 2020 and 2019

Cash flows from operating activities decreased from $0.2 million provided by operating activities for the year ended December 31, 2019 to $0.6 million used in operating activities for the year ended December 31, 2020. The year-over-year decrease of $0.8 million was due to changes in operating assets and liabilities primarily driven by higher accounts payable payments to our vendors.

During the year ended December 31, 2020, cash used in operating activities of $0.6 million resulted primarily from net loss of $0.9 million, noncash add back adjustments to net income of $0.1 million for amortization of deferred financing costs, $0.5 million for amortization of intangible assets and $0.1 million of paid-in-kind interest, partially offset by the deduction of a $0.3 million gain from the forgiveness of the PPP loans as well as $0.4 million for a gain on the revaluation and settlement of the Seller Earnout liability. Working capital changes of $0.3 million were primarily driven by a $0.7 million decrease in accounts receivable, an increase in accrued liabilities of $0.5 million and related party payables of $0.1 million, partially offset by decreases in accounts payable of $0.5 million and deferred revenue of $0.4 million.

During the year ended December 31, 2019, net cash provided by operating activities of $0.2 million resulted primarily from net loss of $0.9 million and noncash add-back adjustments to net loss of $0.1 million for bad debt expense partially offset by a deduction of $0.1 million for a gain from the revaluation of the Seller Earnout liability. Working capital changes of $1.1 million were primarily driven by a cash inflow related to a decrease in accounts receivable of $0.4 million, an increase in accounts payable and accrued liabilities of $0.6 million and an increase in deferred revenue of $0.1 million.

For the Nine Months Ended September 30, 2021 and 2020

Cash flows from operating activities increased from $1.0 million used in operating activities for the nine months ended September 30, 2020 to $3.2 million provided by operating activities for the nine months ended September 30, 2021. The period-over-period increase of $4.2 million was primarily due to $1.5 million and $1.0 million increases in amoritization of intangible assets and net income, respectively, as well as changes in operating assets and liabilities.

During the nine months ended September 30, 2021, cash provided by operating activities of $3.2 million resulted primarily from net income of $0.6 million, noncash add-back adjustments to net income of $1.5 million for amortization of intangible assets, $0.3 million for amortization of deferred financing costs, and $0.3 million of paid-in-kind interest. Working capital cash inflows of $0.5 million were primarily driven by a $0.7 million decrease in accounts receivable, an increase in deferred revenue of $0.2 million and related party payables of $0.4 million, partially offset by an increase in prepaid expenses of $0.5 million and a decrease in accounts payable of $0.1 million.

During the nine months ended September 30, 2020, net cash used in operating activities of $1.0 million resulted primarily from net loss of $0.4 million and a noncash deduction of $0.4 million for a gain from the revaluation and settlement of the Seller Earnout liability. Working capital cash outflows of $0.2 million were primarily driven by an increase in accounts receivable of $0.3 million and a decrease in accounts payable of $0.4 million, partially offset by a $0.3 million and $0.2 million decrease in accrued liabilities and deferred revenue, respectively.

Cash Flows from Investing Activities

Effective September 30, 2020, DDH LLC acquired 100% of the equity interests of Orange142 valued at $26.2 million. The acquisition was funded by issuance of member common units, mandatorily redeemable preferred units, a facility term note, and a Revolving Credit Facility. The acquisition of Orange142 was recorded by allocating the total purchase consideration to the fair value of the net tangible assets acquired, including goodwill and intangible assets in accordance with ASC 805. The purchase consideration exceeded the fair value of the net assets resulting in goodwill of $4.1 million and intangible assets of $18.0 million.

Intangible assets consist of $13.0 million of 10-year amortizable customer relationships, $3.5 million of 10-year amortizable trademarks and tradename, and $1.5 million of 5-year amortizable non-complete agreements.

Cash paid to sellers	$12,000,000
Member units issued	4,294,041
Mandatorily redeemable units	9,913,940
Total purchase consideration	$26,207,981
Cash paid to sellers	$12,000,000
Cash acquired	(1,014,151)
Net cash used in acquisition	$10,985,849

The following table summarizes the allocations of the purchase consideration to the fair value of the net assets:

Fair value of assets acquired:	
Cash and cash equivalents	$ 1,014,151
Accounts receivable	4,590,945
Prepaid expenses and other current assets	148,717
Other assets	9,618
Intangible assets	18,033,850
Goodwill	4,095,700
Total assets acquired	$27,892,981
Fair values of liabilities assumed:	
Accounts payable	$ 683,521
Accrued liabilities	244,165
Deferred revenue	757,314
Total liabilities assumed	$ 1,685,000
Total fair value of net assets	$26,207,981

Cash Flows Provided by Financing Activities

December 31, 2020 and 2019

Our financing activities consisted primarily of proceeds from borrowings and repayments of our Revolving Credit Facility, payments of financing costs related to the Term Loan Facility, proceeds from

government loans, as well as receipts from and distributions to the members of DDH LLC. Net cash provided by financing activities has been and will be used to finance our operations, including our investment in people and infrastructure, to support our growth.

Cash flows provided by financing activities increased from $43,000 for the year ended December 31, 2019 to $12.3 million for the year ended December 31, 2020. The year-over-year increase of $12.2 million was primarily due to the proceeds from the Term Loan Facility.

During the year ended December 31, 2020, net cash provided by financing activities of $12.3 million resulted primarily from the $12.8 million of proceeds of the Term Loan Facility in conjunction with the acquisition of Orange142, partially offset by $0.6 million paid for deferred financing costs in the transaction. We also paid off our line of credit with First Citizens Bank and entered into the Revolving Credit Facility with East West Bank. Borrowings under the Revolving Credit Facility totaled $1.1 million, and payments totaled $1.4 million. We also incurred $0.1 million in deferred financing fees associated with the Revolving Credit Facility. During the year ended December 31, 2020, we also received proceeds from the government for the PPP loans of $0.3 million as well as $0.2 million from the economic disaster recovery loan program. Members of DDH LLC received distributions of $0.1 million and repaid $0.4 million from advances. As a result of a litigation settlement with the Former Shareholders of Huddled Masses and Colossus, we paid $0.2 million and $18,000 to the Former Shareholders for amounts due under their Seller Notes and Seller Earnouts, respectively.

During the year ended December 31, 2019, cash provided by financing activities of $43,000 resulted primarily from $0.5 million of borrowings on the First Citizens Bank line of credit, partially offset by $0.1 million for payments towards Seller Notes and $0.3 million for advances to members.

September 30, 2021 and 2020

Cash flows (used in) provided by financing activities decreased from $13.2 million provided by financing activities for the nine months ended September 30, 2020, to $2.2 million used in financing activities for the nine months ended September 30, 2021. The period-over-period decrease of $15.4 million was primarily due to the $12.8 million of proceeds from the Term Loan Facility for the nine months ended September 30, 2020 compared to the $1.2 million repayment of our Term Loan Facility for the nine months ended September 30, 2021.

Our financing activities for the nine months ended September 30, 2021 consisted primarily of repayments of our Term Loan Facility and Seller Notes and Seller Earnouts, proceeds from government loans, as well as distributions to the members of DDH LLC. Net cash provided by financing activities has been and will be used to finance our operations, including our investment in people and infrastructure, to support our growth.

During the nine months ended September 30, 2020, net cash provided by financing activities of $13.2 million resulted primarily from the $12.8 million of proceeds of the Term Loan Facility in conjunction with the acquisition of Orange142, partially offset by $0.5 million paid for deferred financing costs in the transaction. We also incurred $0.1 million in deferred financing fees associated with the Revolving Credit Facility. During the nine months ended September 30, 2020, we also received proceeds from the government for the PPP loans of $0.3 million as well as $0.2 million from the economic disaster recovery loan program. Members of DDH LLC received distributions of $0.1 million and repaid $0.4 million from advances. As a result of a litigation settlement with the Former Shareholders of Huddled Masses and Colossus, we paid $0.2 million and approximately $18,000 to the Former Shareholders for amounts due under their Seller Notes and Seller Earnouts, respectively.

Contractual Obligations and Future Cash Requirements

Our principal contractual obligations consist of non-cancelable leases for our various facilities. We lease furniture and office space in Houston, Austin and Colorado Springs from an unrelated party under non- cancelable operating leases dating through December 2023.

As of December 31, 2020, future minimum payments under the operating leases were as follows for the years ending December 31:

2021	$143,211
2022	121,651
2023	90,138
	$355,000

As of September 30, 2021, future minimum payments under the operating leases were as follows for the nine months ending September 30:

2021	$ 36,638
2022	121,651
2023	90,138
	$248,427

Off-Balance Sheet Arrangements

Through September 30, 2021, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. The preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors and adjust those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from these estimates and assumptions.

We believe estimates and assumptions associated with the evaluation of revenue recognition criteria, including the determination of revenue reporting as net versus gross in our revenue arrangements, as well as our determination of the fair value of goodwill and intangible assets, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue recognition

We adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as of January 1, 2019, for all contracts not completed as of the date of adoption, which had no impact on our financial position or results of operations using the modified retrospective method. We recognize revenue using the following five steps:

- Identification of a contract(s) with a customer;
- Identification of the performance obligation(s) in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligation(s) in the contract; and,
- Recognition of revenue when, or as, the performance obligation(s) are satisfied.

Our revenues are derived primarily from two sources: buy-side advertising and sell-side advertising.

Buy-side advertising

We purchase media based on the budget established by our customers with a focus on leveraging data services, customer branding, real-time market analysis and micro-location advertising. We offer our platform on a fully managed and a self-serve basis, which is recognized over time using the output method when the performance obligation is fulfilled. An "impression" is delivered when an advertisement appears on pages viewed by users. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully managed revenue and the delivery of media inventory for self-serve revenue. Many customers run several different campaigns throughout the year to capitalize on different seasons, special events and other happenings at their respective regions and localities. We provide digital advertising and media buying capabilities with a focus on generating measurable digital and financial life for our customers.

Revenue arrangements are evidenced by a fully executed IO. Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign. Performance objectives are generally a measure of targeting, as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchases). These payment models are commonly referred to as CPM (cost per impression), CPC (cost per click) and CPA (cost per action). The majority of our contracts are flat-rate, fee-based contracts.

In instances where we contract with third-party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether we are acting as the principal or an agent in the transaction. We are acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis, as we have control and are responsible for fulfilling the advertisement delivery, establishing the selling prices and delivering the advertisements for fully managed revenue and providing updates and performing billing and collection activities for our self-serve proprietary platform.

Sell-side advertising

We partner with publishers to sell advertising inventory to our existing buy-side clients, as well as our own Colossus Media-curated clients and the open markets (collectively referred to as "buyers") seeking to access the general market as well as unique multi-cultural audiences. We generate revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile mediums using our proprietary programmatic SSP. We refer to our publishers, app developers and channel partners collectively as our publishers. We generate revenue through the monetization of publisher ad impressions on our platform. Our platform allows publishers to sell, in real time, ad impressions to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats. We recognize revenue when an ad is delivered in response to a winning bid request from ad buyers. We are acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as we have control and are responsible for fulfilling the advertisement delivery, establishing the selling prices and the delivery of the advertisements for fully managed revenue and providing updates and performing all billing and collection activities for our self-serve proprietary platform.

We maintain agreements with each DSP in the form of written service agreements, which set out the terms of the relationship, including payment terms (typically 30 to 90 days) and access to its platform. In an effort to reduce the risk of nonpayment, we have insurance with a third-party carrier for our accounts receivable.

Goodwill

Under the purchase method of accounting pursuant to ASC 805, goodwill is calculated as the excess of purchase price over the fair value of the net tangible and identifiable intangible assets acquired. In testing goodwill for impairment, we have the option to begin with a qualitative assessment, commonly referred to as "Step 0," to determine whether it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing

factors such as macroeconomic conditions, industry and market considerations, cost factors, entity-specific financial performance and other events, such as changes in our management, strategy and primary user base. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a quantitative goodwill impairment analysis is performed which is referred to as "Step 1." Depending upon the results of that measurement, the recorded goodwill may be written down, and impairment expense is recorded in the consolidated statements of operations when the carrying amount of the reporting unit exceeds the fair value of the reporting unit. Goodwill is reviewed annually and tested for impairment upon the occurrence of a triggering event. For the years ended December 31, 2020 and 2019, and for the nine months ended September 30, 3021 and 2020, we did not recognize any goodwill impairment losses.

Intangible assets, net

Our intangible assets consist of customer relationships, trademarks and non-compete agreements. Our intangible assets are recorded at fair value at the time of their acquisition and are stated within our consolidated balance sheets net of accumulated amortization. Intangible assets are amortized on a straight- line basis over their estimated useful lives or using an accelerated method. Amortization is recorded as depreciation and amortization under operating expenses within our consolidated statements of operations and comprehensive loss. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. As of September 30, 2021, December 31, 2020 and December 31, 2019, there were no events or changes in circumstances to indicate that the carrying amount of the assets may not be recoverable.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include:

Interest Rate Risk

We had cash and cash equivalents of $2.6 million and $1.6 million as of September 30, 2021 and December 31, 2020, respectively, which consisted of bank deposits. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Because our cash represents deposits at financial institutions, our portfolio's fair value is relatively insensitive to interest rate changes. Our Revolving Credit Facility is at variable interest rates. We had $0.4 million outstanding under our Revolving Credit Facility as of September 30, 2021 and December 31, 2020. The Term Loan Facility accrues interest at a fixed rate. We do not believe that an increase or decrease in interest rates of 100 basis points would have a material effect on our operating results or financial condition. In future periods, we will continue to evaluate our investment policy relative to our overall objectives.

Currency Exchange Risk

Our consolidated results of operations and cash flows are not subject to fluctuations due to changes in foreign currency exchange rates because all of our transactions are in U.S. dollars.

Inflation Risk

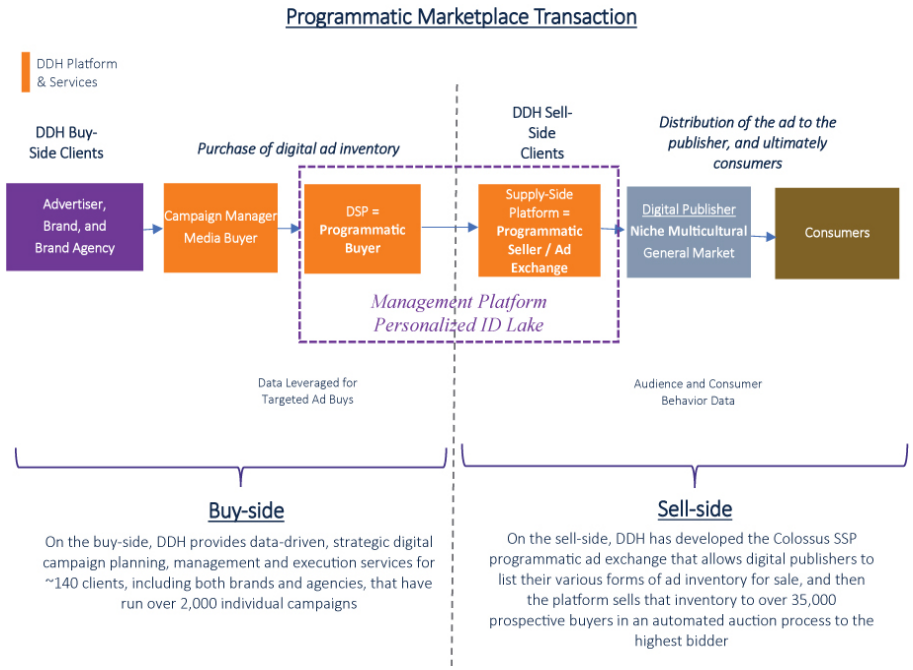
We do not believe that inflation has had a material effect on our business, results of operations or financial condition. If our costs were to become subject to significant inflationary pressures, we might not be able to fully offset such higher costs through price increases. Our inability or failure to do so could adversely affect our business, results of operations and financial condition.

BUSINESS

Company Overview

We are an end-to-end, full-service programmatic advertising platform primarily focused on providing advertising technology, data-driven campaign optimization and other solutions to underserved and less efficient markets on both the buy- and sell-side of the digital advertising ecosystem. Direct Digital Holdings, Inc. is the holding company for the business formed by our founders in 2018 through the acquisitions of Huddled Masses and Colossus Media. Colossus Media operates our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™. Huddled Masses is the platform for the buy-side of our business. In 2020 we acquired Orange142 to further bolster our overall programmatic buy-side advertising platform and enhance our offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small- and mid-sized businesses transitioning into digital with growing digital media budgets.

In the digital advertising space, buyers, particularly small- and mid-sized businesses, can potentially achieve significantly higher ROI on their advertising spend compared to traditional media advertising by leveraging data-driven OTT/CTV, video and display, in-app, native and audio advertisements that are delivered both at scale and on a highly targeted basis. Traditional (non-digital) advertising, such as broadcast TV or print media, follows the "spray and pray" approach to reach out to the public, but the ROI from using such traditional (non-digital) advertising campaigns is mostly unpredictable. On the other hand, digital advertising is heavily data-driven and can provide real-time details of targeted advertising campaigns and outcomes. On the sell-side, publishers can more successfully sell their advertising inventory in a programmatic manner by sharing data and information about their digital audiences at scale on an individualized basis, which helps buyers on SSPs such as our Colossus SSP to better target audiences.



We believe that we have a unique competitive advantage due to our data-driven technology that allows us to provide front-end, buy-side planning for our small- and mid-sized clients, coupled with our proprietary Colossus SSP where we can curate the last-mile in the execution process to drive higher ROI. Each month,

the Colossus SSP processes over 35 billion impressions and over 150 billion auction bid requests that seek to buy ad inventory from our publishers. In September 2021, Colossus SSP served over 39,386 clients. In our business and throughout this prospectus, we use the terms client and customer interchangeably.

We enable small- and mid-sized clients to leverage programmatic technology to engage their potential customers more directly, on a one-on-one basis, in any local market, with specificity to media device and footprint. Our technology leverages data to assess where our clients' potential customers are in the decision-making process and manage campaign pacing and optimization based on data-driven analytics to drive the purchasing decision or encourage the call to action. The result is the mutual benefit to both our buy-side and sell-side clients, in that our buy-side clients enjoy a more even playing field compared to larger advertisers by driving more effective marketing and advertising in local markets that are compatible to their business footprint. In addition, our sell-side clients enjoy greater opportunity to monetize their ad inventory to new ad buyers that otherwise would be unavailable to them.

We have aligned our business strategy to capitalize on significant growth opportunities due to fundamental market shifts and industry inefficiencies. Several trends, happening in parallel, are revolutionizing the way that advertising is bought and sold. Specifically, the rise of the internet has led to a wholesale change in the way that media is consumed and monetized, as ads can be digitally delivered on a 1-to-1 basis. In traditional methods of advertising, such as broadcast TV, ads can target a specific network, program or geography, but not a single household or individual as digital and OTT/CTV ads can. Traditional television U.S. ad spending declined by 12.5% in 2020, while digital spend grew by 15% during the same period and is projected to grow approximately 25% in 2021. Additionally, we expect that the continued destabilization, including the phase out of digital "cookies" in 2023, will (i) create more opportunities for technology companies that provide next-generation CTV and digital solutions and (ii) minimize performance disruption for advertisers and agencies.

The buy-side component of our business is comprised of Huddled Masses, which has been in operation since 2012, and Orange142, which has been in operation since 2013. Both businesses offer technology-enabled advertising solutions and strategic planning to clients. In particular, our buy-side platform focuses on small-to-mid-sized clients. With marketing budgets typically more limited and operating footprints generally more local or state-to-state, we believe small- and mid-sized businesses are focused primarily on ROI-based results that deliver precise advertising and measurable campaign success to level the playing field with larger competitors. Serving the needs of hundreds of small- and mid-sized clients, with more than 4,000 campaigns annually, the buy-side of our business leverages the insights of leading DSPs, such as The Trade Desk, Xandr, Google DV360, MediaMath and others, to drive increased advertising ROI and reduced customer acquisition costs for our clients.

Colossus Media, which has been in operation since 2017, is our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™. Colossus SSP is a stand-alone tech-enabled, data-driven platform that helps deliver targeted advertising to diverse and multicultural audiences, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers, as well as other specific audiences. We partner with both large publishers such as Hearst, Meredith, Gannett, Univision, and several others, as well as smaller publishers such as Ebony Magazine, People Magazine, Family Traveler, Dinero, Sailing World and many others.

Colossus SSP offers our publisher clients' ad inventory to existing small- and mid-sized buy-side clients at Huddled Masses and Orange142, and other major DSP clients of Colossus Media, which enables our buy-side technology to curate and manage client outcomes more effectively. In addition, because it is a stand-alone platform, Colossus SSP offers its ad inventory to larger, multinational, clients seeking more authentic advertising access to unique, often diverse and multicultural, audiences.

Our proprietary Colossus SSP was custom developed with a view towards the specific challenges facing small- and mid-sized publishers with the belief that often smaller publishers offer a more engaged, highly-valued, unique following but experienced technological and budgetary constraints on the path to monetization. Connecting our buy-side business to Colossus SSP completes the end-to-end solution for our small-to-mid-sized buy-side customers while creating additional revenue opportunities for our Colossus SSP publishers.

Our business strategy on the sell-side also presents significant growth potential, as we believe we are well positioned to be able to bring underserved multicultural publishers into the advertising ecosystem,

thereby increasing our value proposition across all clients including our large clients. We have proprietary rights to the Colossus SSP via a license agreement with a third-party developer. We believe the Colossus SSP is the last-mile of delivery for our buy-side clients in that our technology curates unique, highly-optimized audiences informed by data analytics, artificial intelligence and algorithmic machine-learning technology, resulting in increased campaign performance.

Each impression or transaction occurs in a fraction of a second. Given that most transactions take place in an auction/bidding format, we continue to make investments across the platform to further reduce the processing time. In addition to the robust infrastructure supporting our platform, it is also critical that we align with key industry partners in the digital supply chain. The Colossus SSP is agnostic to any specific demand side platform.

We also leverage a sophisticated data management platform, which is DDH's proprietary data collection and data marketing platform used to gather first-party data, market intelligence and audience segmentation information to support campaign optimization efforts for buy-side clients, Colossus SSP clients and third-party clients. Our combined platform offers results in an enhanced, highly loyal client base, particularly on the buy-side.

The Buy-Side Business: Huddled Masses & Orange142

The buy-side component of our business, operated through our Huddled Masses and Orange142 subsidiaries, enables us to provide the programmatic purchase of advertising on behalf of our clients. Programmatic advertising is rapidly taking market share from traditional ad sales channels, which require more staffing, offer less transparency and involve higher costs to buyers. Our buy-side platform provides the technology for first-party data management, media purchases, campaign execution and analytics, and therefore helps drive increased ROI across a wide array of digital media channels. Because our technology accesses all of the large DSP platforms, our platform is able to leverage customer insights across multiple DSPs to drive campaign performance and ROI for our clients. By taking this DSP-agnostic approach, our platform provides the broadest market access for our clients so that clients can easily buy ads on desktop, mobile, connected TV, linear TV, streaming audio and digital billboards. Additionally, our technology has unique visibility across inventory to create customized audience segments at scale. Depending on the client objective and DSP we choose, our buy-side platform provides forecasting and deep market insights to our clients to improve their return-on-advertising spend ("ROAS") across channels.

The Sell-Side Platform: Colossus SSP

Our sell-side business maintains a proprietary platform, Colossus SSP, which is an advertising technology platform used by publishers to manage, sell and optimize available inventory (ad space) on their websites and mobile apps in an automated way. Each month, our platform processes over 35 billion impressions and over 150 billion auction bid requests that seek to buy ad inventory from our publishers. In September 2021, Colossus SSP served approximately 39,386 clients and processed more than 44 billion auction bid requests. Each impression or transaction occurs in a fraction of a second. Given that most transactions take place in an auction/bidding format, we continue to make investment across the platform to further reduce the processing time. In addition to the robust infrastructure supporting our platform, it is also critical that we align with key industry partners in the digital supply chain. The Colossus SSP is agnostic to any specific demand side platform. To that end, our proprietary Colossus SSP is integrated into several leading DSPs both directly, through Bidswitch, and indirectly, through such platforms as Xandr/AppNexus, The Trade Desk, Google 360, Verizon Media, MediaMath, Zeta Global, Samsung, Pulsepoint, Bidswitch and others. We continue to add new DSP partners especially where we believe the DSP might offer a unique advertising base seeking to target our multicultural audiences at scale. We help our advertiser clients efficiently reach diverse communities including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers in highly targeted campaigns. This business began as a trading desk supporting advertisers' desires to reach diverse audiences and has evolved into the preeminent ad tech platform to support this goal.

Our Industry and Trends

There are several key industry trends that are revolutionizing the way that advertising is bought and sold. We are well positioned to take advantage of the rapidly evolving industry trends in digital marketing and shifts in consumer behavior, including:

Shift to Digital Advertising. Media has increasingly become more digital as a result of three key items:

- Advances in technology with more sophisticated digital content delivery across multiple platforms;
- Changes in consumer behavior, including spending longer portions of the day using mobile and other devices; and
- Better audience segmentation with more efficient targeting and measurable results.

The resulting shift has enabled a variety of options for advertisers to efficiently target and measure their advertising campaigns across nearly every media channel and device. These efforts have been led by big-budgeted, large, multi-national corporations incentivized to cast a broad advertising net to support national brands. Based on eMarketer data, 65% of small- and mid-sized companies expect to increase their programmatic advertising budget, and of those companies, 12% expect to increase their advertising spending by over 25%.

Shift from Linear Broadcast to OTT/CTV. According to eMarketer, as of the end of 2019, approximately 84 million U.S. households maintained a cable subscription which declined to approximately 78 million U.S. households at the end of 2020. However, advertising reach could access more than 104 million households via OTT/CTV channels. Consumers increasingly want the flexibility and freedom to consume content on their own terms resulting in access to premium content at lower prices and with fewer interruptions. Advertisers are recognizing these trends and reallocating their ad budgets accordingly to those companies that can access audiences through a variety of existing and new channels.

Increased Adoption of Digital Advertising by Small- and Mid-Sized Companies. Only recently small- and mid-sized businesses have begun to leverage the power of digital media in meaningful ways, as emerging technologies have enabled advertising across multiple channels in a highly localized nature. Campaign efficiencies yielding measurable results and higher advertising ROI, as well as the needs necessitated by the COVID-19 pandemic, have prompted these companies to begin utilizing digital advertising on an accelerated pace. We believe this market is rapidly expanding, and that small-to-mid-sized advertisers will continue to increase their digital spend.

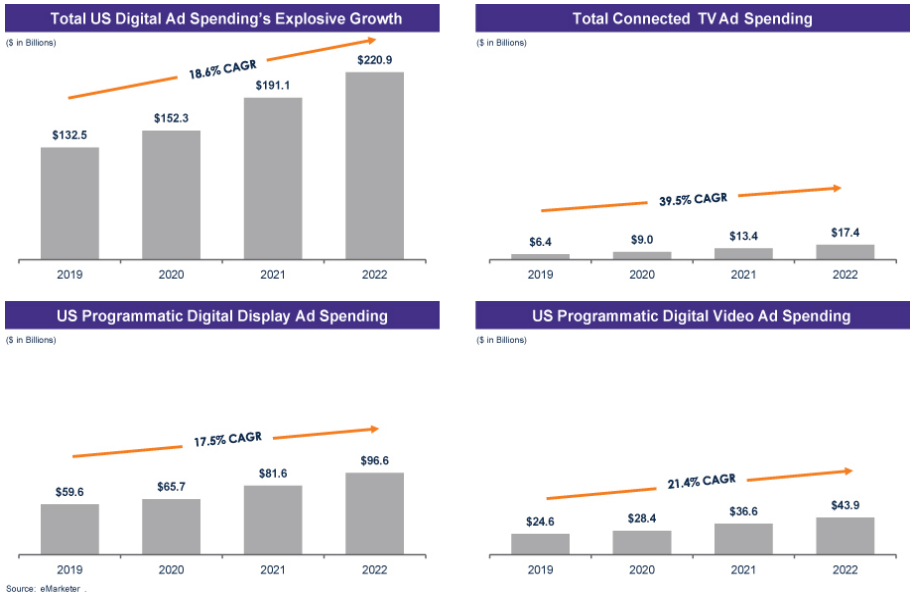
Significant Increase in Multicultural Audience and Targeted Content. As digital media has grown and emerging marketing channels continue to gain adoption, audience segmentation, including on multicultural lines, has become more granular. A growing and increasing segment of those audiences is the multicultural audience, which has been traditionally underserved in the industry. According to the U.S. Census Bureau, racial minority and multi-racial consumers represent 42% of the U.S. population and are projected to be the numerical majority in the U.S. by 2044. When we expand the definition of multicultural to include LGBTQ+ customers, the numbers are significantly greater. Advertisers and publishers alike face the same challenge. Advertisers are seeking new avenues and opportunities to connect with multicultural audiences in their natural media consumption environments while publishers are producing unique content to attract loyal consumers. The advantage will go to those innovative companies able to directly connect both sides to those audiences and leverage the insights flowing from those connections.

Local Ad Buying Becoming More Programmatic. Programmatic advertising enables advertisers to precisely target local audiences and increasingly an “audience of one.” Large amounts of inventory have been consolidated, allowing local advertisers to then be more selective about where, when and to whom they show their ads. The technology behind programmatic advertising, such as geotargeting, IP address identification, 1-3-5 radius store location advertising, has provided the opportunity for targeted local advertising to smaller advertisers, which technologies in the past have been more easily available to larger national advertisers. We believe being able to go into a programmatic platform and target the same audience across all digital inventory is a major competitive advantage. Additionally, we also believe that the ability to customize audiences to the needs of local providers is a significant benefit for local advertisers since they are able to deviate from the broad audience segments defined by national advertisers. Higher customer engagement translates into higher retention and extended customer lifecycle representing the opportunity to sell and upsell customers. We believe the local advertising market remains in the early stages of understanding and leveraging these capabilities.

Death of Cookies Will Likely Destabilize Small- to Mid-Size Business Ad Market. As the advertising industry faces the eventual phasing out of third-party cookies, namely by Google, by 2023, small-to-mid-sized business will face potentially greater challenges in the adoption and transition to digital. While first-party data driven by first-party cookies will still have broad-based advertising support, more robust advertising efforts are expected to experience some level of performance degradation. Specifically, the inability to tie ad impressions to an identity will add to the list of challenges already being faced by small- to mid-sized businesses. We expect that the destabilization will create significant opportunities for next-generation technology companies that can provide media buying solutions and minimize performance disruption for advertisers and agencies.

The COVID-19 pandemic has put a greater focus on ROI on ad spend performance. Compared to traditional channels, digital ads are more measurable and flexible, which makes them more attractive and resilient.

(Based on data from eMarketer)

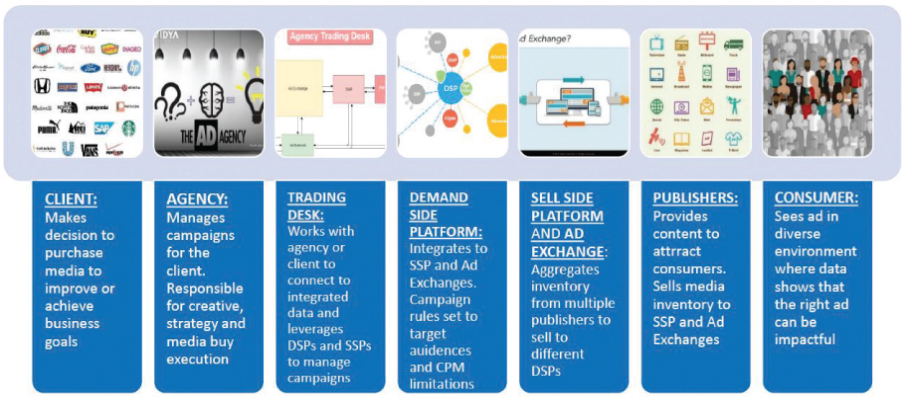


Programmatic Advertising Technology (AdTech)

Advertising Technology (AdTech) consists of tools and software that enable the programmatic buying and selling of ads. Programmatic advertising is the automated system by which millions of ads can be served to millions of internet users across millions of websites in real-time. Moreover, the clicks and responses can be tracked, measured, and reported to the advertiser in real-time. The AdTech ecosystem consists of ad servers, trading desks, SSPs, DSPs, Data Management Platforms (DMP), ad networks, analytics and data suppliers.

The advertising ecosystem has two primary entities, which are the advertiser and the publisher. Advertisers' main objectives are to produce and manage ad campaigns, target the right prospects, and track the ad spend and their results. Publishers are the owners of the websites, who are the digital equivalent of newspapers or magazines. They provide the space for ads to be shown, manage the ad inventory of different advertisers, collect campaign data and make sure that the customer experience is positive. With the entire process being dynamic and taking place in real-time, advertising technology steps in to serve as effective system serving both entities. We believe this ecosystem, which is illustrated below, produces a more efficient

advertising value chain through effectively reaching the consumer and driving performance. The value chain of the advertising ecosystem can be presented as follows:



The Buy Side

On the buy side of the digital supply chain, digital advertising is the practice of delivering promotional content to users through various online and digital channels and leverages multiple channels, platforms such as social media, email, search engines, mobile applications and websites to display advertisements and messages to audiences. Traditional (non-digital) advertising follows the "spray and pray" approach to reach out to the public, but the ROI is mostly unpredictable. On the other hand, digital advertising is heavily data-driven and can give real-time details of advertising campaigns and outcomes. The availability of user data and rich targeting capabilities makes digital advertising an effective and important tool for businesses to connect with their audiences.

The Sell Side

On the sell side of the digital supply chain, the SSP or supply side platform is an ad technology platform used by publishers to sell, manage and optimize the ad inventory on their websites in an automated and effective way. The SSPs help the publishers monetize the display ads, video ads, native ads on their websites and mobile apps. The SSPs have enhanced their functionalities over the years and have included ad exchange mechanisms to efficiently manage their ad inventory. Also, SSPs allow the publishers to connect to DSPs directly instead of connecting through ad exchanges. This allows publishers to eliminate the ad exchanges and connect with advertisers directly to reduce the ad load time. SSPs sell ad inventories in many ways — for example, directly to ad networks, via direct deals with DSPs, and most commonly via real-time bidding ("RTB") auctions. The publisher makes its ad inventory available on an SSP and invites advertisers to bid based on the user's data received. Each time the publisher's web page loads, an ad request is sent to multiple ad exchanges and, in some cases, to the demand side platform directly from the SSP. In the case of RTB media buys, many DSPs would place bids to the impressions being offered by the publisher during the auction. The advertiser that bids a higher amount compared to other advertisers will win the bid and pay the second highest price for the winning impression to serve the ads.

COVID-19 Industry Impact

The onset of the COVID-19 pandemic caused a material reduction in advertising spending across all channels. Advertising spending is estimated to have decreased 30-50% during the height of the lockdown with ad budgets reduced due to economic shock (e.g., lodging, restaurants) and the cancellation of major events (e.g., concerts, Olympics). The linear TV segment was among the hardest hit as small- and medium-sized business owners cut back on local broadcast and cable advertising, cable networks couldn't air live sports, and the production of content ground to a halt. Cord cutting, the practice of ending a cable or satellite television service, is also expected to remain elevated. Research conducted by The Trade Desk estimated that

approximately 27% of U.S. households would end their cable TV subscription by the end of 2021, roughly nine times the rate of cord cutting over the last few years. The CTV and AVOD channels, which include televisions with integrated internet and ad-based streaming services, held up the best during the pandemic, but these channels remain less than 3% of total TV advertising spend. Overall, the industry is seeing an accelerated shift of advertisement spending from the tradition linear television channel to digital channels such as CTV and AVOD.

Our Customers

On the buy-side of our business, our customers consist of purchasers of programmatic advertising inventory. We had approximately 150 and 158 direct customers during the year ended December 31, 2020 and the nine months ended September 30, 2021, respectively, consisting of advertising buyers, including small- and mid-sized companies, large advertising holding companies (which may manage several agencies), independent advertising agencies and mid-market advertising service organizations. However, we work on over 4,000 campaigns annually, as many advertising agencies and advertising holding companies have decision-making that is generally highly decentralized, such that purchasing decisions are made, and relationships with advertisers are located, at the agency, local branch or division level. We serve a variety of customers across multiple industries including travel/tourism (including destination marketing organizations or DMOs), energy, consumer packaged goods ("CPG") healthcare, education, financial services (including cryptocurrency technologies) and other industries. Some of the significant brands we work with on the buy-side include Curo, the U.S. Army, Just Energy, Bitcoin Depot, Visit Virginia Beach, Visit Colorado Springs and Pigeon Forge.

On the sell-side of our business, the Colossus SSP, the buyers on our platform include DSPs, agencies and individual advertisers. We have broad exposure to the ecosystem of buyers, reaching on average approximately 15,400 advertisers per month in 2020, which has increased to approximately 56,025 per month during the nine months ended September 30, 2021. As spending on programmatic advertising increasingly becomes a larger share of the overall ad spend, advertisers and agencies are seeking greater control of their digital advertising supply chains. To take advantage of this industry shift, we have entered into SPO agreements directly with buyers. As part of these agreements, we are providing advertisers and agencies with benefits ranging from custom data and workflow integrations, product features, volume-based business terms, and visibility into campaign performance data and methodology. As a result of these direct relationships, our existing advertisers and agencies are incentivized to allocate an increasing percentage of their advertising budgets to our platform.

Our Competitive Strengths

We believe the following attributes and capabilities form our core strengths and provide us with competitive advantages:

- **End-to-End, Technology-Driven Solution Focused on Providing Higher Value to Underserved Markets.** Our small- and mid-sized client base is seeking high ROI, low customer acquisition costs and measurable results that grow their topline. Because we focus exclusively on the first and last miles of media delivery, we engage clients at the front-end of the digital supply chain with the first dollar of spend, in many cases prior to agency involvement, and drive data-driven results across the digital advertising ecosystem to optimize ROI. We offer an end-to-end solution that enables us to set and carry-out the digital campaign strategy of our clients in full, in a more efficient and less expensive manner than some of our competitors. Small- and mid-sized companies are looking for partners that can drive results across the entire digital supply chain. On the Colossus SSP, we offer a wide range of niche and general market publishers an opportunity to maximize advertising revenue driven by technology-enabled targeted advertising to multicultural and other audiences. We believe our technology's ability to tailor our efforts to our clients-specific needs and inform those efforts with data and algorithmic learnings is a long-term advantage to serving this end of the market.
- **Comprehensive Processes Enhance Ad Inventory Quality and Reduce Invalid Traffic.** We operate what we believe to be one of the most comprehensive processes in the digital advertising ecosystem to enhance ad inventory quality. In 2020, Colossus SSP was ranked by MediaMath as 4th among the industry's approximately 80 supply-side companies in terms of key quality measures such as

transparency, fraud detection, and accountability. In the advertising industry, inventory quality is assessed in terms of IVT, which can be impacted by fraud such as "fake eyeballs" generated by automated technologies set up to artificially inflate impression counts. As a result of our platform design and proactive IVT mitigation efforts, in 2020, less than 1% of inventory was determined to be invalid, resulting in minimal financial impact to our customers. We address IVT on a number of fronts, including: sophisticated technology, which detects and avoids invalid traffic on the front end; direct publisher and inventory relationships, for supply path optimization; and ongoing campaign and inventory performance review, to ensure inventory quality and brand protection controls are in place.

- **Curated Data-Driven Sell-Side Platform to Support Buy-Side.** The Colossus SSP enables us to gather data to build and develop unique product offerings for our clients. The ability to curate our supply allows us to serve a broad range of clients with challenging and unique advertising needs and optimize campaign performance in a way that our siloed competitors are unable to do. This model, together with our infrastructure solutions and ability to quickly access excess server capacity, helps us scale up efficiently and allows us to grow our business at a faster pace than a pure buy-side solution would. In addition, our clients can easily buy targeted data from over 150 sources through our platform. We also provide clients access to our proprietary data through our data management platform, which only increases with continued use of our platform. We believe that the integration of data and decisioning within a single platform enables us to better serve our clients.
- **High Client Retention Rate and Cross Selling Opportunities.** During the nine months ended September 30, 2021, we had approximately 158 clients on the buy-side through 1,824 different campaigns and 56,025 clients on the sell-side. They understand the independent nature of our platform and relentless focus on driving ROI-based results. Our value proposition is complete alignment across our entire digital supply platform beginning with the first dollar in and last dollar out. We are technology and media agnostic, and our clients trust us to provide the best opportunity for success of their brands and businesses. As a result, our clients have been loyal, with over 90% client retention for the clients that represent approximately 80% of our revenues. In addition, we cultivate client relationships through our pipeline of moderate and self-serve clients that conduct campaigns within our platform that eventually grow into managed service clients, which has resulted in their increased use of our platform over time. As our clients expand their usage of our technology platform, they often transition to our managed services delivery model, which in turn drives increased client loyalty. The managed services delivery model allows us to combine our technology with a highly personalized offering to strategically design and manage advertising campaigns, provide ad hoc support and recommend strategy adjustments as needed.
- **Growing and Profitable Business Model.** We have grown our revenue steadily and profitably, which we believe demonstrates the power of our technology platform, the strength of our client relationships and the leverage inherent to our business model. For the year ended December 31, 2020, our sell-side advertising revenue increased to $2.8 million compared to $0.8 million for the year ended December 31, 2019, or an increase of 253%. For the nine months ended September 30, 2021, our sell-side advertising revenue increased to $5.3 million compared to $1.5 million for the nine months ended September 31, 2020, or an increase of 251%. On September 30, 2020, we acquired Orange142 to further bolster our overall buy-side advertising platform and enhance our offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products and others, with particular emphasis on small- and mid-sized businesses transitioning into digital with growing digital media budgets. For the years ended December 31, 2020 and 2019, our net loss was flat at ($0.9) million for both periods. For the nine months ended September 30, 2021, net income was $0.6 million compared to net loss of $(0.4) million for the same period in 2020. For the year ended December 31, 2020, Adjusted EBITDA increased to $0.6 million compared to Adjusted EBTIDA of $(0.9) million for the year ended December 31, 2019, an increase of $1.5 million, or 171%. For the nine months ended September 30, 2021, Adjusted EBITDA increased to $4.5 million compared to Adjusted EBITDA of $(0.1) million for the nine months ended September 30, 2020 (see "*Prospectus Summary — Non-GAAP Financial Measures*" for more information about our use of non-GAAP financial measures).

- **Solutions for the Destabilization of Advertising.** As a result of the impending phase out of third-party cookies by 2023 by Google, we have begun integrating identity resolution solutions in order to provide our clients with accurate, targeted advertising without cookies. These solutions provide higher CPM (cost per thousand impressions) advertising, thus resulting in higher revenues. Leveraging our third-party technology providers, our technology has a potential reach of over 250 million matched people online and is powered by over 600 million unique online authentication events per month. To cater to the need for precision and scale, we will be investing in artificial intelligence and machine learning technology to build out our own collection of identities, often referred to as an "ID Lake," from first-party and third-party data sources, that will facilitate matches and relations between the disparate sets of data.
- **Experienced Management Team.** Our management team, led by our two founders, has significant experience in the digital advertising industry and with identifying and integrating acquired businesses. Specifically, our two founders, Chairman and Chief Executive Officer Mark Walker and President Keith Smith, have over 45 years of combined experience. The team has led digital marketing efforts for companies both large and small, with unique experience leading small- and mid-sized companies through the challenges of transitioning platforms into the programmatic advertising space. Our Chief Technology Officer, Anu Pillai, is experienced in developing digital platforms on both the buy-side and sell-side, ranging from CPG companies focused on e-commerce to publishers seeking to monetize their ad inventory. Our Chief Financial Officer, Susan Echard, a former senior auditor at Ernst & Young LLP, has significant experience working with public companies directly as well a strong background with mergers and acquisitions.
- **ESG-Centered Strategy.** We believe our business strategy promotes the ideals of an ESG-based business with particular focus on social and governance issues. Our unique focus has already resulted in numerous partnerships with both large and small advertisers as the multicultural market continues to grow and expand.

Social, Diversity and Governance

We believe it is essential for our organization, from top to bottom, to understand and relate to the issues our clients face on both the buy-side and sell-side. Our founding owners are of African-American descent and founded our Company on multicultural principles designed to alleviate the challenges that buyers and publishers face accessing an expansive multicultural market. Our management team reflects the tone and tenor of our multicultural audiences and our policies on gender equality and gender pay. More than 70% of our management are women and/or identify as being from a diverse background, including all four of our executive officers.

Environmental

Our platform requires significant amounts of information to be stored across multiple servers and we anticipate those amounts to increase significantly as we grow. We are committed to ensuring that we incorporate environmental excellence in our business mindset. Energy use, recycling practices and resource conservation are a few of the factors we take into consideration in building our technological infrastructure, selecting IT partners, and utilizing key suppliers. In the first quarter of 2022, we expect to transition our server platform to HPE Greenlake, which is centered on environmentally-friendly operations and marketed as "Greenlake-as-a-service," through which we promote its energy conservation principles. We opted for HPE GreenLake's as-a-service model because it represents a shift towards supplier responsibility for the elimination of wasted infrastructure and processing capacity. Our needs are metered and monitored, providing insights that can lead to significant resource and energy efficiencies by avoiding overprovisioning and optimizing the IT refresh cycle. This enables us to bring existing equipment to the highest levels of utilization and to eliminate idling equipment that drains energy and resources, yielding both environmental and financial savings.

Our Growth Strategy

We have a multi-pronged growth strategy designed to continue to build upon the momentum we have generated so far in order to create opportunities. Our key growth strategies include our plans to:

- Continue to expand our highly productive "on the ground" buy-side and sell-side sales teams throughout the United States, with a particular focus on markets where we believe our client base is underserved.

- Utilize management's experience to identify and close additional acquisition opportunities to accelerate expansion into new industry verticals, grow market share and enhance platform innovation capabilities.
- Leveraging our end-to-end product offering as a differentiating factor to win new business and cross-sell to existing clients.
- Aggressively grow the Colossus SSP advertising inventory, including both multicultural and general inventory. We aim to increase our omni-channel capabilities to focus on highest growth content formats such as OTT/CTV audio (such as podcasts, etc.), in-app and others.
- Continued innovation and development of our data management platform and proprietary ID Lake and collection of first-party data to inform decision-making and optimize client campaigns.
- Invest in further optimization of our infrastructure and technology solutions to maximize revenue and operating efficiencies.

Revenues

We generate revenues through a broad range of offerings throughout our technology platforms. On the buy-side of our business, our technology drives the design and execution of advertising strategies across an array of digital channels including programmatic display, social, paid search, mobile, native, email, video advertising, OTT/CTV, audio, digital out-of-home ("DOOH") and more. In the world's constantly shifting and expanding digital landscape, where it is easy for "set it and leave it" mentalities and impersonal algorithms to steer digital advertising campaigns, our data-driven technologies enable customized ROI-focused outcomes for our clients. Our team is made up of savvy digital strategists, skilled software developers, experienced ad buyers or traders, expert technicians and data analysts. We have a wide variety of small- and mid-sized companies representing numerous industry verticals such as travel, healthcare, education, financial services, and consumer goods and services. We are typically engaged on an "insertion order" or master services agreement, with the typical engagement driven by the campaign goals of the client. For the mid-sized clients, we typically engage on a long-term contractual basis ranging from one to five years, while our smaller clients tend to engage on a shorter duration of less than one year despite the fact that many of our smaller clients have been long term clients well in excess of one year.

On the sell-side of our business, through our proprietary Colossus SSP, we generate revenues by enabling programmatic media buyers to buy ad inventory from our host of publishers and content creators aggregated to provide access to buyers at scale. Advertisers and agencies often have a large portfolio of brands requiring a variety of campaign types and support for a wide array of inventory formats and devices, including OTT/CTV, video and display, in-app, native and audio. Our omni-channel proprietary technology platform is designed to maximize these various advertising channels, which we believe is a further driver of efficiency for our buyers. As of June 1, 2021, the platform is comprised of publishers across multiple channels including OTT/CTV, display, native, in-app, online video ("OLV"), audio and DOOH. Through our platform, media buyers are able to buy more than 2 billion daily impressions across many unique audiences including multicultural audiences at scale with 20% of those impressions being diverse and multicultural-focused, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers. We charge a standard fee to our publishers for providing access to a host of media buyers on a daily basis. Our publishers, through our platform, had access to more than 56,000 buyers of ad inventory in September 2021. We have a sales team working on behalf of our publishers to enlist more ad buyers across all media channels to generate more revenue for our publishers. The Colossus SSP continues to expand its capabilities to give our content providers more avenues to distribute ad inventory such as OTT/CTV, digital audio, DOOH, etc. and inform our publishers to enhance their ad selling needs by distributing content in various forms to meet the rising demands of the ad buying community.

Marketing, Sales, and Distribution

Our sales organization focuses on marketing our technology solution to increase the adoption of our products by existing and new buyers and sellers. We market our products and services to buyers and sellers through our national sales team that operates from various locations across the United States. This team leverages market knowledge and expertise to demonstrate the benefits of programmatic advertising and

how we can drive better performance and results for our clients. We are focused on expanding our national sales presence primarily by growing our sales personnel presence in certain states and regions around the country in which we currently operate and/or seeking to establish a presence. We typically seek to add experienced sales personnel with an established track record and/or verifiable book of business and client relationships.

For the buy-side platform, our sales team has three fundamental components: (1) a consulting services team that advises clients on a more enterprise level in the design and implementation of a digital media strategy; (2) a professional services team with each seller integration to assist sellers in getting the most value from our solution; and (3) our client services team that works closely with clients to manage and/or support campaigns. For Colossus SSP, our professional services team manages each new DSP or publisher/seller integration while the buyer team focuses on the unique challenges and issues arising with our inventory buys.

Our marketing initiatives are focused on managing our brand, increasing market awareness and driving advertising spend to our platform. We often present at industry conferences, create custom events and invest in public relations. In addition, our marketing team advertises online and in other forms of media, creates case studies, sponsors research, writes whitepapers, publishes marketing collateral, generates blog posts and undertakes client research studies.

Competition

Buy-Side Competition

The buy-side digital advertising industry is a very competitive, fast-paced industry with ongoing technological changes, new market entrants and behavioral changes in content consumption. Overall digital advertising spending historically has been highly concentrated in a small number of very large companies that have their own inventory, including Google, Facebook, Comcast, Verizon, AT&T and Amazon, with which we compete for digital advertising inventory and demand. Despite the dominance of large companies, there is still a large addressable market that is highly fragmented and includes many providers of transaction services with which we compete. There has been rapid evolution and consolidation in the advertising technology industry, and we expect these trends to continue, thereby increasing the capabilities and competitive posture of larger companies, particularly those that are already dominant in various ways, and enabling new or stronger competitors to emerge. Based on the current focus of our competitors, there is even more opportunity for engagement in the underserved and multicultural markets on which we focus.

Sell-Side Competition

On the sell-side of the digital advertising industry, competition is robust but more limited in that there were approximately 80 current SSPs in operation as of December 2020, according to Media Math. We continue to refine our offering so that it remains competitive in scope, ease of use, scalability, speed, data access, price, inventory quality, brand security, customer service, identity protection and other technological features that help sellers monetize their inventory and buyers increase the return on their advertising investment. While our industry is evolving rapidly and becoming increasingly competitive, we believe that our solution enables us to compete favorably on these factors. We achieve this by ensuring that we have the right integrations and implementations in place. Our traffic verification partner is directly integrated within our exchange to ensure inventory quality on a real-time basis. We partner with an accredited Media Rating Council vendor to provide an added layer of security through sophisticated IVT detection and filtration. Our verification with the Trustworthy Accountability Group indicates our status as a trusted player in the digital advertising ecosystem. Through our direct integration with The Media Trust's Creative Quality Assurance (QA) product, we detect and eliminate the serving of malicious ads in real time, and by transacting on a universal cookie ID, consumers are served more relevant ads, advertisers reach more valuable users and publishers can match their audience data. In the end, we believe these factors enable our sales team to promote the advantages of our platform and drive greater adoption of Colossus SSP.

Seasonality in Our Business

In the advertising industry, companies commonly experience seasonal fluctuations in revenue. For example, many advertisers allocate the largest portion of their budgets to the fourth quarter of the calendar

year in order to coincide with increased holiday purchasing. Historically, the second and third quarters of the year reflect our highest levels of advertising activity and the first quarter reflects the lowest level of such activity. We expect our revenue to continue to fluctuate based on seasonal factors that affect the advertising industry as a whole.

Employees

As of September 30, 2021, we had 52 employees, all of whom are full-time employees. None of our employees are currently covered by a collective bargaining agreement. We have no labor-related work stoppages and believe our relations with our employees are good. We promote a diverse workforce and believe that it fosters innovation and cultivates an environment filled with unique perspectives. As a result, diversity and inclusion are part and parcel of our ability to meet the needs of our customers. Respect for human rights and a commitment to ethical business conduct are fundamental to our business model. In addition, we measure employee engagement on an ongoing basis, as we believe an engaged workforce leads to a more innovative, productive and profitable company. We obtain feedback from our employees to implement programs and processes designed to keep our employees connected with the Company.

Government Regulation

Privacy and data protection legislation and regulation play a significant role in our business. The U.S. Congress and state legislatures, along with federal regulatory authorities, have recently increased their attention to matters concerning the collection and use of consumer data, including in the area of internet-based advertising. These authorities have enacted or are considering enacting legislation that could significantly restrict our ability to collect, augment, analyze, use and share data collected through cookies and similar technologies, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tools to track people online.

Digital advertising in the United States has mostly been subject to regulation by the FTC pursuant to Section 5 of the Federal Trade Commission Act, which prohibits companies from engaging in "unfair" or "deceptive" trade practices. The FTC has also commenced the examination of privacy issues that arise when marketers track consumers across multiple devices, otherwise known as cross-device tracking.

Data privacy legislation has also been introduced by individual states. First, California has enacted broad-based privacy legislation known as the CCPA. The CCPA came into force on January 1, 2020 and requires covered companies to, among other things, provide new disclosures to California consumers and grant such consumers a new right to opt-out of "sales" of personal information, a concept that is defined broadly. The CCPA is also subject to regulations issued by the California Attorney General, which were finalized and became effective in August 2020. The California Privacy Rights and Enforcement Act ("CPRA"), which was passed as a ballot initiative in November 2020 and comes into effect on January 1, 2023, expands upon the CCPA and, among other things, creates new categories of personal information with additional protections, creates new data subject rights such as a right of correction, creates a new state rulemaking and enforcement agency for the CPRA, expands potential liability for violations and gives consumers rights to opt out of additional forms of data sharing with third parties. It remains unclear how aspects of the CCPA (as amended by the CPRA) or its implementing regulations will be interpreted.

In March 2021, Virginia Governor Ralph Northam signed the Virginia Consumer Data Protection Act ("VCDPA") into law, making Virginia the second state in the nation to enact comprehensive data privacy legislation. The VCDPA resembles and adopts some of the framework from the CCPA, the CPRA (which, as noted above, will amend and expand the CCPA), and the General Data Protection Regulation ("GDPR"). However, the VCDPA contains a number of unique provisions as well. For example, unlike the CCPA and CPRA, the VCDPA leaves enforcement entirely up to the Attorney General and does not provide a private right of action for consumers.

In addition to regulations in the United States, some of our operations may subject us to data privacy laws outside the United States. For example, in the EU, the GDPR took effect on May 25, 2018 and regulates transfers of personal data (subject to such laws) from the European Economic Area ("EEA") and the UK to the U.S. as well as other third countries outside the EEA and the UK which are deemed not to provide adequate standards of data protection to the levels required by the GDPR. The GDPR and and its UK

equivalent commonly referred to as "UK GDPR" also impose numerous privacy-related obligations and requirements for companies operating in the EU and the UK, including requiring data controllers not to transfer personal data to U.S.-based processors unless they agree to certain legally binding processing obligations, greater control for data subjects (for example, the "right to be forgotten"), increased data portability for EU and UK consumers, data breach notification requirements and exposure to substantial fines for non-compliance.

Facilities

Our headquarters are located in Houston, Texas, where we occupy a facility with approximately 2,500 square feet under a lease that expires in June 2022. We have permanent offices and/or a co-work office presence in four other office locations across the United States: Austin, Atlanta, New York and Colorado Springs. These offices or workspaces are leased, and we do not own any real property. We believe that our current facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate any expansion of our operations.

Intellectual Property

The protection of our technology and intellectual property is an important component of our success. We rely on intellectual property laws, including trade secret, copyright, patent and trademark laws in the U.S. and abroad, and use contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements and other contractual rights to protect our intellectual property.

We own intellectual property related to our owned sites. As of September 30, 2021, we owned approximately four websites and URLs in varying stages of development to support our marketers advertising efforts. We also hold six U.S. registered trademarks and one pending trademark registration application.

Legal Proceedings

As of the date hereof, we are not a party to any material legal or administrative proceedings. There are no proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus:

Name	Age	Position
Mark Walker	45	Chairman and Chief Executive Officer
Keith Smith	53	President and Director
Susan Echard	57	Chief Financial Officer
Anu Pillai	51	Chief Technology Officer
		Independent Director
		Independent Director
		Independent Director

Executive Officers

Mark D. Walker. Mr. Walker became our Chairman and Chief Executive Officer on August 23, 2021 and, from 2018 until the completion of the Organizational Transactions, served in the role of Managing Partner of the Company. Prior to founding Direct Digital Holdings with Mr. Smith, Mr. Walker worked at CVG Group, LLC, ("CVG Group") a private equity firm, from October 2016 to May 2019 as the Chief Operating Officer responsible for the operations of the portfolio companies within CVG Group's holdings. In this role, he was the Acting COO for Ebony Media Operations, ("Ebony Media") where he was responsible for initiating and overseeing the digital transformation of Ebony Media from a print publication to a digital-first organization. Prior to CVG Group and Ebony Media, he worked for the largest retail electricity provider within the United States, NRG Energy, from 2005 to 2016, in positions of progressively increasing scope and responsibility. While at NRG Energy, he built multiple revenue streams through digital, retail and business development activities while increasing overall revenue to NRG Energy, where he represented approximately 40% of new revenue of NRG Energy Home division. Mr. Walker brings nearly 20 years of experience building relationships and revenue generating operations for Fortune 500 corporations, working in business development and marketing for Deloitte, and startup organizations. Throughout his career, Mr. Walker has sat on multiple advisory boards within the industry, such as Hitwise and Dentsu Aegis, and has written multiple articles and case studies that have been showcased in Jupiter Research and Search Engine Watch. We believe that Mr. Walker is qualified to serve as a member of our board of directors because of the perspective and experience he brings as our Chief Executive Officer and a founder of the Company, as well as his other extensive executive experience. Mr. Walker holds a B.A. in Economics from The University of Texas and was a member of the Board of Directors of the University of Texas Alumni Association.

Keith W. Smith. Mr. Smith is a co-founder of the Company and became our President on August 23, 2021 and, from 2018 until the completion of the Organizational Transactions, served in the role of Managing Partner of the Company. Prior to founding Direct Digital Holdings, Mr. Smith was a Managing Partner at Parkview Advisors, LLC, and President and CEO of Parkview Capital Credit, Inc., from November 2014 to April 2020, where he invested and managed more than $75 million with small-and mid-sized businesses to provide acquisition and growth capital. Prior to Parkview, Mr. Smith served as Managing Director for a private equity, direct lending platform, Capital Point Partners, where he invested and managed more than $150 million in direct lending first lien, second lien and mezzanine investments, as well as complimentary minority equity investments. Prior to Capital Point Partners, he worked for Rabobank International ("RI") from 2006 to 2009, where he was a Vice President and Portfolio Manager of more than $2 billion in direct lending and structured credit bank assets for one of the company's special investment vehicles. He played a key role in originating new client transactions as well as managing a book of existing bank clients. Prior to RI, he was an Associate Director in the Structured Finance Group of Standard & Poor's from 2003 to 2006, where he analyzed and rated transactions across a broad spectrum of asset types. In addition to his investment banking background, Mr. Smith also has over six years of legal experience as an attorney and has served on the boards of numerous portfolio companies. We believe that Mr. Smith is qualified to serve as a member

of our board of directors because of the perspective and experience he brings as our Chief Financial Officer and a co-founder of the Company, as well as his other executive experience and financial, investment and management experience. Mr. Smith holds a B.A. in Economics from The University of Texas at Austin; a J.D. from Southern Methodist University; and an M.B.A. from The Olin School of Business at Washington University in St. Louis.

Anu Pillai. Anu Pillai was named Chief Technology Officer of Direct Digital Holdings in March 2021. Ms. Pillai brings extensive experience in defining and executing new product development solutions as well as large enterprise IT implementations and has successfully led global projects with complete responsibility for cross-functional teams in program management, product design, software development, system architecture, integration and implementation. Prior to serving at Digital Direct Holdings, Ms. Pillai held executive positions and led digital transformations at several companies, including BLK/OPL, a direct-to-consumer e-commerce cosmetic brand, from 2019 to 2021, where she served as SVP, Digital Technology & Ecommerce, and Ebony Media, publisher of the iconic EBONY magazine, from 2011 to 2019, where she served as SVP, Digital Technology & Monetization. She was responsible at both of these companies for the execution of all technology and digital initiatives including system design and architecture, development, project management, resource planning of onsite/offshore resources and monetization across all digital properties with specific emphasis on increasing revenues through various programmatic channels. Prior to that, Ms. Pillai held leadership roles with leading Fortune 50 technology and infrastructure companies, such as General Electric, from 2005 to 2007, where she served as an IT leaser; Intel Corporation, from 2000 to 2003, where she served as a Senior Software Engineer; and Motorola, from 1996 to 1998, where she served as an analyst, and we believe she has proven experience in managing and leading small and large global development teams with technology resources spread across the U.S., China, Mexico and India. Ms. Pillai holds a B.S. in Computer Science and Engineering from Bharathiar in India.

Susan Echard. Susan Echard became our Chief Financial Officer in May 2021 while serving as a consultant at SeatonHill LLC ("SeatonHill"), where she was employed from February 2021 until joining the Company as a full time employee in November 2021. Prior to SeatonHill, Ms. Echard served as the Chief Financial Officer at Trinity Capital Inc., a Business Development Corporation, and, in such capacity, was responsible for all aspects of the firm's financial matters, investor relations, legal and human resource management. Prior to joining Trinity, Ms. Echard served as the Chief Financial Officer at CUBEX LLC, a medical, dental and veterinary inventory management company, from 2017 to 2019. From 2016 to 2017, she served as the Chief Financial Officer at Datashield, a data security services company, and from 2015 to 2016, she served as the Corporate Controller at BeyondTrust, a provider of privileged access and identity management and data security. Prior to that, she served as Corporate Controller at AFS Technologies, Inc., a provider of software solutions for consumer goods companies, from 2014 to 2015, and was formerly a senior auditor at Ernst & Young LLP. Ms. Echard has over 30 years of accounting experience. She holds a Bachelor of Business Administration degree from the University of Michigan.

Non-Employee Directors

Family Relationships

There are no family relationships between or among any of our directors or executive officers.

Board Composition and Risk Oversight

Our board of directors is currently composed of members. of our directors are independent within the meaning of the listing requirements and rules of the Nasdaq Capital Market. Our certificate of incorporation and bylaws will provide that the number of our directors shall be fixed from time to time by resolution of our board of directors. There are no family relationships between or among any of our directors or executive officers.

Our board of directors has an active role, as a whole and also at the committee level, in overseeing the management of our risks. Our board of directors is responsible for general oversight of risks and regular review of information regarding our risks, including credit risks, liquidity risks and operational risks. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. Our audit committee is responsible for overseeing the management

of our risks relating to accounting matters and financial reporting. Our nominating and corporate governance committee is responsible for overseeing the management of our risks associated with the independence of our board of directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, our entire board of directors is regularly informed through discussions from committee members about such risks. Our board of directors believes its administration of its risk oversight function has not affected our board of directors' leadership structure.

Director Independence

We have applied to list our Class A common stock on the Nasdaq Capital Market under the symbol "DRCT." Under the rules of the Nasdaq Capital Market, independent directors must comprise a majority of a listed company's board of directors within a specified period of the completion of this offering. In addition, the rules require that, subject to specified exceptions, each member of a listed company's audit, compensation and nominating and corporate governance committees be independent. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act ("Rule 10A-3"). Under the rules of the Nasdaq Capital Market, a director will only qualify as an "independent director" if, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

To be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors or any other board committee: (1) accept, directly or indirectly, any consulting, advisory or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

In , 2021, our board of directors undertook a review of its composition, the composition of its committees and the independence of our directors and considered whether any director has a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, our board of directors has determined that none of our non-employee directors has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these non-employee directors is "independent" as that term is defined under the rules of the Nasdaq Capital Market. In , 2021, our board of directors also determined that , and , each of whom comprise our audit committee, compensation committee and nominating and corporate governance committee, satisfy the independence standards for those committees established by applicable SEC rules and the rules of the Nasdaq Capital Market. In making this determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Board Leadership Structure

Mr. Walker, our Chief Executive Officer, is also the Chairman of our board of directors. Our board of directors determined that, at the present time, having our Chief Executive Officer also serve as the Chairman of our board of directors provides us with optimally effective leadership and is in our best interests and those of our stockholders. Mr. Walker co-founded the Company, and our board of directors believes that Mr. Walker's years of management experience in our industry as well as his extensive understanding of our business, operations and strategy make him well qualified to serve as Chairman of our board of directors.

The Company's Corporate Governance Guidelines provide our board of directors with flexibility to select the appropriate leadership structure at a particular time based on what our board of directors determines to be in the best interests of the Company. The Company's Corporate Governance Guidelines provide that our board of directors has no established policy with respect to combining or separating the offices of chairman of the board of directors and principal executive officer.

In , 2021, our board of directors appointed to serve as our lead independent director. As lead independent director, presides over periodic meetings of our independent directors, serves as a liaison between the chairman of our board of directors and the independent directors and performs such additional duties as our board of directors may otherwise determine and delegate.

Committees of our Board of Directors

Our board of directors has established three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below. Following the closing of this offering, each committee's charter will be posted on the investor relations section of our website. Directors serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our audit committee consists of , and , each of whom, our board of directors determined, satisfies the independence requirements under the Nasdaq listing standards and Rule 10A-3. The chair of our audit committee is , whom our board of directors determined is an "audit committee financial expert" within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements.

The primary purpose of the audit committee is to discharge the responsibilities of our board of directors with respect to our corporate accounting and financial reporting processes, systems of internal control and financial statement audits, and to oversee our independent registered public accounting firm. Specific responsibilities of our audit committee include:

- helping our board of directors oversee our corporate accounting and financial reporting processes;
- reviewing and discussing with management all press releases regarding our financial results and any other information provided to securities analysts and rating agencies, including any non-GAAP financial information;
- managing the selection, engagement, qualifications, independence and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing and approving any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually that describes our internal quality control procedures, any material issues with such procedures and any steps taken to deal with such issues when required by applicable law;
- approving or, as permitted, pre-approving, audit and permissible non-audit services to be performed by the independent registered public accounting firm; and
- reviewing and investigating conduct alleged to be in violation of our code of business conduct and ethics, and adopting, as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.

Our audit committee operates under a written charter that satisfies the applicable Nasdaq listing standards.

Compensation Committee

Our compensation committee consists of , and , each of whom, our board of directors determined, is independent under the Nasdaq listing standards and is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act. The chair of our compensation committee is .

The primary purpose of our compensation committee is to discharge the responsibilities of our board of directors in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. Specific responsibilities of our compensation committee include:

- reviewing and advising the board of directors concerning our overall compensation, philosophy, policies and plans, including reviewing both regional and industry compensation practices and trends;
- reviewing and approving corporate and personal performance goals and objectives relevant to the compensation of the Company's chief executive officer, and making recommendations to the board of directors regarding all executive officer executive compensation (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites);
- reviewing, adopting, amending and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management;
- reviewing and discussing with management the disclosures regarding executive compensation to be included in our public filings or shareholder reports;
- reviewing and recommending to our board of directors the compensation paid to our directors; and
- overseeing, jointly with the full board, engagement with proxy advisory firms on executive compensation matters.

Our compensation committee operates under a written charter that satisfies the applicable Nasdaq listing standards.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of , and , each of whom, our board of directors determined, is independent under the Nasdaq listing standards. The chair of our nominating and corporate governance committee is .

Specific responsibilities of our nominating and corporate governance committee include:

- evaluating or recommending to our board of director nominees for each election of directors, except that if we are at any time legally required by contract or otherwise to provide any third party with the ability to nominate a director, our nominating and corporate governance committee need not evaluate or propose such nomination, unless required by contract or requested by our board of directors;
- determining criteria for selecting new directors, including desired board skills, experience and attributes;
- considering any nominations of director candidates validly made by our stockholders;
- reviewing and making recommendations to our board of directors concerning qualifications, appointment and removal of committee members;
- developing, recommending for approval by our board of directors and reviewing on an ongoing basis the adequacy of the corporate governance principles applicable to us, including, but not limited to, director qualification standards, director responsibilities, committee responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession and annual performance evaluation;
- reviewing and making recommendations regarding the committee structure and composition;

- reviewing and recommending to our board of directors changes to our bylaws as needed;
- developing orientation materials for new directors and corporate governance-related continuing education for all directors; and
- overseeing succession planning for executive officers.

Our nominating and corporate governance committee operates under a written charter that satisfies the applicable Nasdaq listing standards.

Non-Employee Director Compensation

In fiscal year 2020, we did not have a formal policy with respect to compensation payable to our non-employee directors for service as directors because we did not have any non-employee directors. In connection with this offering, we intend to approve and implement a compensation program for our non-employee directors that consists of annual retainer fees and long-term equity awards. Each non-employee director is expected to receive an annual cash retainer for his or her services in an amount equal to $ and an annual equity award with a grant date fair value equal to $.

Directors who are also our employees will receive no additional compensation for their service as directors. Messrs. Walker and Smith were our only employee directors during fiscal year 2020. See the section titled "*Executive Compensation*" for additional information about the compensation paid to Messrs. Walker and Smith.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics. Our code of business conduct and ethics is intended to document the principles of conduct and ethics to be followed by all of our directors, officers and employees. Its purpose is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. Following the closing of this offering, the full text of our code of business conduct and ethics will be posted on the investor relations section of our website. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of these provisions, on our website or in filings under the Exchange Act.

EXECUTIVE COMPENSATION

We have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act. In accordance with these rules, our "named executive officers" for fiscal year 2020 were:

- Mark Walker, Chairman and Chief Executive Officer; and
- Keith Smith, President and Interim Chief Financial Officer.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs and arrangements summarized in this discussion, including the terms of the Direct Digital Holdings 2021 Omnibus Incentive Plan, referred to below as the 2021 Plan, which became effective immediately prior to the consummation of this offering.

2020 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for the fiscal years indicated below. Our Chief Financial Officer, Susan Echard, joined us in May 2021 and as such is not a named executive officer for fiscal year 2020.

Name and Principal Position	Fiscal Year	Salary ($)	All Other Compensation ($)[1]	Total ($)
Mark Walker	2020	313,461	67,512	380,973
Chairman and Chief Executive Officer				
Keith Smith	2020	253,461	77,325	330,786
President and Interim Chief Financial Officer				

(1) This column includes the dollar value of premiums paid by the Company for group life insurance as well as perquisites. For 2020, these amounts were as follows:

Name	Life Insurance Premiums	Car Allowance	Other Perquisites
Mark Walker	4,000	6,377	57,135
Keith Smith	24,549	7,776	45,000

Elements of the Company's Executive Compensation Program

Named Executive Officer Consulting Agreement

The Company previously entered into a Board Services and Consulting Agreement with each of Mark Walker and Keith Smith, effective September 30, 2020 (the "Walker Agreement" and the "Smith Agreement," respectively, and collectively, the "Consulting Agreements"). Pursuant to the Walker Agreement, Mr. Walker serves as our Chief Executive Officer and, pursuant to the Smith Agreement, Mr. Smith serves as our President.

The Consulting Agreements entitle each of Mr. Walker and Mr. Smith to the following benefits:

- base salary of $450,000, which will be reviewed annually and may be increased at our sole discretion;
- annual performance review by the Company to determine whether a performance-based bonus shall be paid;
- participation in all employee benefit plans maintained by the Company or any subsidiary; provided that, if no health, dental, short-term disability, long-term disability or life insurance is provided, the Company will reimburse the named executive officer for all out of pocket costs to purchase such coverage; and

- reimbursement for reasonable out of pocket expenses.

Each Consulting Agreement may be terminated by either us or the applicable named executive officer; provided that, the applicable Consulting Agreement will be terminated automatically upon a named executive officer's death.

Equity Compensation

In connection with this offering, we adopted the 2021 Plan, which became effective immediately prior to the consummation of this offering, in order to facilitate the grant of equity awards to our employees, consultants and directors for the purposes of obtaining and retaining services of these individuals, which we believe is essential to our long-term success. For additional information about the 2021 Plan, see "*2021 Omnibus Incentive Plan*" below.

Other Elements

We provide various employee benefit programs to our named executive officers, including health, disability and life insurance benefits, which are generally available to all of our employees. We also currently maintain a 401(k) retirement savings plan for our U.S. employees, including our U.S.-based named executive officers, who satisfy certain eligibility requirements.

2020 Outstanding Equity Awards at Fiscal Year-End

Neither named executive officer held any outstanding equity awards as of December 31, 2020.

2021 Omnibus Incentive Plan

General Information About the 2021 Plan

On , 2021, our board of directors adopted and our stockholders approved the 2021 Plan. The purpose of the 2021 Plan is to enable the Company to attract, retain and motivate its employees by providing for or increasing their proprietary interests in the Company.

The 2021 Plan is a stock incentive plan under which we may offer securities of the Company to our employees. The 2021 Plan is not subject to any provisions of the U.S. Employee Retirement Income Security Act of 1974 and is not qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The 2021 Plan permits the Company to satisfy any awards under the 2021 Plan by distributing to participants (1) authorized and unissued shares of the Company's common stock, (2) shares of common stock held in the Company treasury, (3) shares of the Company's common stock purchased on the open market or (4) shares of the Company's common stock acquired through private purchase.

Eligibility

Employees, directors, officers and consultants or advisors of the Company and its affiliates are eligible for awards under the 2021 Plan. The Committee (as discussed below) has the sole and complete authority to determine who will be granted awards under the 2021 Plan.

Eligible individuals are not required to make contributions to the 2021 Plan in order to participate. However, as described below, depending on what method is chosen to exercise any stock options granted, an individual may be required to make a cash payment to the Company upon that exercise. In addition, the Company may require payment of some amount for the shares subject to a restricted stock award.

Administration

The 2021 Plan is administered by the Committee, which consists of the members of our compensation committee, or if our board of directors is acting as our compensation committee, the individuals constituting "eligible" directors of our board of directors. The Committee administers the 2021 Plan, except in the case of awards to non-employee directors. Awards to non-employee directors are administered by our board of directors. The Committee in its discretion may delegate any and all of its duties to officers of the Company. The Committee or, in the case of awards to non-employee directors, our board of directors, has the authority

to determine the terms and conditions of any agreements relating to awards granted under the 2021 Plan (agreements may differ among participants), and to adopt, alter and repeal rules, guidelines and practices relating to the 2021 Plan. The Committee or, in the case of awards to non-employee directors, our board of directors, has full discretion to administer and interpret the 2021 Plan, and to adopt whatever rules, regulations and procedures it deems necessary or advisable. The Committee or, in the case of awards to non-employee directors, our board of directors, also has full discretion to determine, among other things, the times at which the awards may be exercised and under what circumstances an award may be exercised.

Duration; Plan Amendments

The 2021 Plan expires by its terms on the tenth anniversary of the effective date of the 2021 Plan. However, our board of directors may terminate the 2021 Plan before that date. No awards can be granted under the 2021 Plan after the 2021 Plan has terminated. However, awards granted prior to the date on which the 2021 Plan terminates will not be affected by the termination and the terms and conditions of the 2021 Plan will continue to apply to those awards.

Our board of directors has the right to amend, alter, suspend, or terminate the 2021 Plan, even before the date on which the 2021 Plan is otherwise scheduled to terminate. The Committee may also amend outstanding awards or cancel any award and provide a substitute award, subject to the participants' consent. However, neither our board of directors nor the Committee may amend or terminate the 2021 Plan or any outstanding awards in a manner that would impair rights of award holders without their written consent, unless the amendment is made to comply with applicable law, stock exchange rules, or accounting rules. (As discussed below, however, awards may be cancelled in return for a cash payment upon the occurrence of a change in control and under certain other circumstances.).

Shares Available for Awards

Shares Available for Issuance

The maximum number of shares of common stock that may be issued pursuant to awards granted under the 2021 Plan is , subject to certain adjustments for corporate transactions, as described in the section entitled "*— Additional Information — Adjustments*" below. No participant may be granted awards of options and/or stock appreciation rights or performance compensation awards with respect to more than shares of common stock in any one year. On termination, forfeiture, or expiration of an unexercised stock option grant or other award, in whole or in part, the number of shares of common stock subject to such unexercised stock option grant or other award will become available again for grant under the 2021 Plan. Also, shares subject to a stock option grant or other award that are not delivered to a participant because they are used to satisfy a tax withholding obligation or that are withheld to pay all or a portion of an option's exercise price will again become available for grant under the 2021 Plan. In addition, shares of the Company's common stock will not be considered used if the award to which they relate is settled in cash. Further, shares subject to awards granted in assumption or substitution of outstanding awards of an acquired entity shall not be counted against the shares of our common stock available for issuance under the 2021 Plan.

Awards

Stock Options

Stock options may be granted under the 2021 Plan. The Committee sets the terms of the stock option grant at the time the grant is made. These terms are described in a stock option award agreement.

The Committee, in its discretion, may designate stock options granted under the 2021 Plan as either nonqualified stock options or incentive stock options ("ISOs"). ISOs have certain unique tax characteristics discussed below. The stock option agreement will indicate whether the stock options are nonqualified stock options or ISOs. Please note, however, that, even if all of the stock options are designated as ISOs, only those stock options so designated that first become vested and exercisable in a calendar year having an aggregate fair market value (determined at the date of grant) of $100,000 will be eligible to receive ISO tax treatment. Any additional stock options that first become vested during that calendar year will be treated as nonqualified stock options for tax purposes.

Once a stock option vests, holders of stock options granted pursuant to the 2021 Plan will be able to exercise that stock option for a period determined by the Committee and set forth in their stock option agreement. Although the period during which an option may be exercised may vary from award to award, the longest period of time for which an option will remain exercisable is ten years from the date it is granted. If a participant's employment terminates, the period during which they can exercise their vested stock options may change depending on the terms of their option agreement.

Restricted Stock Awards

Restricted stock awards may be granted under the 2021 Plan. The Committee will set the terms of the restricted stock award at the time of grant and will describe these terms in a restricted stock award agreement.

If the specified performance criteria are not achieved within the established time frame, the shares will be forfeited, unless the terms of the applicable restricted stock award agreement also provide for service-based vesting, catch-up vesting or otherwise specifically alter this treatment.

Restricted Stock Units

Restricted stock unit awards may be granted under the 2021 Plan. The Committee will set the terms of the restricted stock unit award at the time of grant and will describe these terms in a restricted stock unit agreement.

Stock Bonus Awards

Participants may receive under the 2021 Plan a grant of unrestricted shares of the Company's common stock or other awards, including fully-vested deferred stock units, denominated in common stock, as determined by the Committee.

Cash Bonus Awards

Participants may also receive under the 2021 Plan a cash bonus award. Any such award may be subject to a performance period, performance goals or such other terms and conditions as the Committee may designate in the applicable award agreement.

Stock Appreciation Rights

Stock appreciation rights may be granted under the 2021 Plan. The Committee will set the terms of the stock appreciation right at the time of grant and will describe these terms in the applicable award agreement.

Additional Information

Adjustments

The 2021 Plan provides for appropriate adjustments in the number of shares of common stock subject to awards and available for future awards, the exercise price of outstanding awards, as well as the maximum award limits under the 2021 Plan, in the event of changes in our outstanding common stock by reason of a merger, stock split, reorganization, recapitalization or similar events. The Committee may also make these types of adjustments if a change in law or circumstances would result in any substantial dilution or enlargement of the rights of participants under the 2021 Plan.

Repricing

Repricing of options and SARs (as defined in the 2021 Plan) is generally prohibited under the 2021 Plan without approval of our stockholders.

Change in Control

Unless the applicable award agreement provides otherwise, in the event of a "change in control" (as defined in the 2021 Plan),

- if a participant's employment or service with the Company is terminated by the Company without "cause" (as defined in the 2021 Plan) or by the participant for "good reason" (as defined in the 2021

Plan) within twelve months of a change in control of the Company or in contemplation of a change in control, all awards held by such participant become fully vested and immediately exercisable, and any applicable restricted period ends on the termination date;

- all incomplete performance periods in effect on the date the change in control occurs will end on the date of the change in control, and the Committee will determine the extent to which performance goals with respect to each such award period have been met based upon such audited or unaudited financial information then available as it deems relevant; and each participant will be paid partial or full awards with respect to performance goals for each relevant award period based upon the Committee's determination of the degree of attainment of any performance goals;
- the acquiring entity may choose to either (i) continue the terms and conditions of each award under the 2021 Plan, or (ii) replace the outstanding awards with a substantially equivalent award with respect to the acquiring entity's stock; and
- if an excise tax under Code Section 4999 will be triggered by any payments owed to a participant in connection with or contingent upon the change in control, the Company will reduce the aggregate amount of the payments payable to the participant such that no excise tax will be assessed, unless the after-tax payment, even with the excise tax, will be a greater value than the value resulting from the reduction and avoidance of the excise tax.

In the event of a change in control, the Committee may in its discretion also make adjustments to the stock options and restricted stock units granted under the 2021 Plan. The Committee may substitute shares of the surviving entity or another corporation that is party to the transaction for shares of Company common stock. In connection with such an event, the Committee may also determine that outstanding awards will be cancelled in return for a cash payment equal to the value of the cancelled awards. In the event that the Committee decides to cancel outstanding awards, holders of outstanding awards will receive reasonable advanced notice.

Tax withholding

Participants, other than non-employee directors, in the 2021 Plan must make a cash payment to the Company, or make other arrangements satisfactory to the Committee, to satisfy the tax withholding obligations that arise under applicable law with respect to a stock option or other award granted under the 2021 Plan, including without limitation any U.S. federal income and employment taxes and other applicable state and local taxes. Under certain circumstances, participants may be permitted to satisfy their tax withholding obligation, in whole or in part, by having us withhold from the shares of common stock otherwise deliverable to them on the exercise of a stock option, restricted stock unit or stock appreciation right, or by surrendering shares having a fair market value on the date of exercise equal to the exercise price.

Transferability and assignment

In general, participants in the 2021 Plan can exercise an option or other award received under the 2021 Plan only during their lifetime. Unless the agreement under which the stock option or other award was granted provides otherwise, participants cannot transfer stock options or other awards (except for shares that are not subject to a restricted period), except by will or the laws of descent and distribution or pursuant to a domestic relations order issued by a court of competent jurisdiction.

Award Termination; Forfeiture

The Committee will have full power and authority to determine whether, to what extent and under what circumstances any award will be terminated or forfeited. To the extent provided in the award agreement, if a participant is terminated for "cause" (as defined in the 2021 Plan), then any stock options or restricted stock units granted to such participant may be cancelled. Awards granted under the 2021 Plan are also subject to any clawback, compensation recovery policy or minimum stock holding period requirement adopted by the Company.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

There have been no transactions since January 1, 2019 to which we have been a participant that involved amounts that exceeded or will exceed the lesser of (i) $120,000 or (ii) one percent of the average of our total assets at December 31, 2019 and December 31, 2020, and in which any of our directors, executive officers or any other "related person" as defined in Item 404(a) of Regulation S-K had or will have a direct or indirect material interest.

Our Policy Regarding Related Party Transactions

Following the completion of this offering, our Audit Committee will have the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed the lesser of $120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years, and in which a related person has or will have a direct or indirect material interest. Upon completion of this offering, our policy regarding transactions between us and related persons will provide that a related person is defined as a director, executive officer, nominee for director or greater than 5% beneficial owner of our Class A common stock, in each case since the beginning of the most recently completed year, and any of their immediate family members.

Tax Receivable Agreement

We expect to obtain an increase in our share of the tax basis of the assets of DDH LLC when (as described below under "— *DDH LLC Agreement — LLC Unit Redemption Right*") the Continuing LLC Owners (a) redeem or exchange their LLC Units for newly issued shares of our Class A common stock on a one-for-one basis and (b) receive payments under the Tax Receivable Agreement (such basis increase, a "Basis Adjustment"). We intend to treat such redemptions or exchanges of LLC Units as the direct purchase of LLC Units by Direct Digital Holdings from such Continuing LLC Owners for U.S. federal income and other applicable tax purposes, regardless of whether such LLC Units are surrendered by such Continuing LLC Owners to DDH LLC for redemption or sold to Direct Digital Holdings upon the exercise of our election to acquire such LLC Units directly. A Basis Adjustment may have the effect of reducing the amounts that we would otherwise pay in the future to various tax authorities to the extent that we have positive taxable income in a future tax period that is offset by tax depreciation or amortization deductions arising from such Basis Adjustment. The Basis Adjustments may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets, which could also generate tax savings for us.

In connection with the Organizational Transactions described above, we will enter into the Tax Receivable Agreement with DDH LLC and each of the Continuing LLC Owners. The Tax Receivable Agreement will provide for our payment to the Continuing LLC Owners of 85% of the amount of tax benefits, if any, that we actually realize, or in some circumstances, are deemed to realize (calculated using certain assumptions), as a result of any Basis Adjustments and certain other tax benefits arising from payments under the Tax Receivable Agreement. DDH LLC will have in effect an election under Section 754 of the Code effective for each taxable year in which a redemption or exchange (including deemed exchange) of LLC Units for shares of our Class A common stock occurs. These Tax Receivable Agreement payments are not conditioned upon any continued ownership interest in either DDH LLC or us by such Continuing LLC Owners. The rights of such Continuing LLC Owners under the Tax Receivable Agreement are assignable to transferees of their LLC Units (other than Direct Digital Holdings as transferee pursuant to subsequent redemptions (or exchanges) of the transferred LLC Units). We expect to benefit from the remaining 15% of tax benefits, if any, that we may realize. Actual tax benefits realized by us may differ from tax benefits calculated under the Tax Receivable Agreement as a result of the use of certain assumptions in the Tax Receivable Agreement, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits.

The Basis Adjustments, as well as any amounts paid to the Continuing LLC Owners under the Tax Receivable Agreement, will vary depending on a number of factors, including:

- the timing of any subsequent redemptions or exchanges — for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of DDH LLC at the time of each redemption or exchange;

- the price of shares of our Class A common stock at the time of redemptions or exchanges — the Basis Adjustments, as well as any related increase in any tax deductions, are directly related to the price of shares of our Class A common stock at the time of each redemption or exchange;
- the extent to which such redemptions or exchanges are taxable — if a redemption or exchange is not taxable for any reason, increased tax deductions will not be available; and
- the amount and timing of our taxable income (prior to taking into account the tax depreciation or amortization deductions arising from the Basis Adjustments) — the Tax Receivable Agreement generally will require Direct Digital Holdings to pay 85% of the tax benefits as and when those benefits are treated as realized under the terms of the Tax Receivable Agreement. Except as discussed below, in cases of (i) a material breach of a material obligation under the Tax Receivable Agreement, (ii) a change of control or (iii) an early termination of the Tax Receivable Agreement, if Direct Digital Holdings does not have taxable income, it will generally not be required to make payments under the Tax Receivable Agreement for that taxable year because no tax benefits will have been realized. However, any tax benefits that do not result in realized tax benefits in a given taxable year may generate tax attributes that may be utilized to generate tax benefits in future taxable years. The utilization of any such tax attributes will result in payments under the Tax Receivable Agreement.

For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing Direct Digital Holdings' actual income tax liability to the amount of such taxes that it would have been required to pay had there been no Basis Adjustments and had the Tax Receivable Agreement not been entered into. The Tax Receivable Agreement will generally apply to each of our taxable years, beginning with the first taxable year ending after the consummation of the offering. The actual and hypothetical tax liabilities determined in the Tax Receivable Agreement will be calculated using the actual U.S. federal income tax rate in effect for the applicable period and an assumed, weighted-average state and local income tax rate based on apportionment factors for the applicable period (along with the use of certain other assumptions). There is no maximum term for the Tax Receivable Agreement; however, the Tax Receivable Agreement may be terminated by us pursuant to an early termination procedure that requires us to pay the Continuing LLC Owners an agreed upon amount equal to the estimated present value of the remaining payments to be made under the agreement (calculated based on certain assumptions, including regarding tax rates and utilization of the Basis Adjustments).

The payment obligations under the Tax Receivable Agreement are obligations of Direct Digital Holdings and not of DDH LLC. Although the actual timing and amount of any payments that may be made under the Tax Receivable Agreement will vary, we expect that the payments that we may be required to make to the Continuing LLC Owners could be significant. For example, if we acquired all of the LLC Units of the Continuing LLC Owners in taxable transactions as of this offering, based on an initial public offering price of $ per share (the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus) and on certain assumptions, including that (i) there are no material changes in relevant tax law and (ii) we earn sufficient taxable income in each year to realize on a current basis all tax benefits that are subject to the Tax Receivable Agreement, we expect that the resulting reduction in tax payments for us, as determined for purposes of the Tax Receivable Agreement, would aggregate to approximately $, substantially all of which would be realized over the next 15 years, and we would be required to pay the Continuing LLC Owners 85% of such amount, or $, over the same period. The actual increases in tax basis with respect to future taxable redemptions, exchanges or purchases of LLC Units, as well as the amount and timing of any payments we are required to make under the Tax Receivable Agreement in respect of the acquisition of LLC Units from certain of Continuing LLC Owners in connection with this offering or future taxable redemptions, exchanges or purchases of LLC Units, may differ materially from the amounts set forth above because the potential future reductions in our tax payments, as determined for purposes of the Tax Receivable Agreement, and the payments we will be required to make under the Tax Receivable Agreement, will each depend on a number of factors, including the market value of our Class A common stock at the time of redemption or exchange, the prevailing federal tax rates applicable to us over the life of the Tax Receivable Agreement (as well as the assumed combined state and local tax rate), the amount and timing of the taxable income that we generate in the future and the extent to which future redemptions, exchanges or purchases of LLC Units are taxable transactions. See the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and*

Capital Resources — Tax Receivable Agreement" for more information about expected payments under the Tax Receivable Agreement.

There may be a material negative effect on our liquidity if, as described below, the payments made by us to the Continuing LLC Owners under the Tax Receivable Agreement exceed the actual benefits we receive in respect of the tax attributes subject to the Tax Receivable Agreement and/or distributions to us by DDH LLC are not sufficient to permit us to make payments under the Tax Receivable Agreement. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, the unpaid amounts generally will be deferred and will possibly accrue interest until paid by us. Decisions made by us in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes in control, may influence the timing and amount of payments that are received by the Continuing LLC Owners under the Tax Receivable Agreement. For example, the earlier disposition of assets following a transaction that results in a Basis Adjustment will generally accelerate payments under the Tax Receivable Agreement and increase the present value of such payments.

In addition, although we are not aware of any issue that would cause the Internal Revenue Service (the "IRS") to challenge the tax basis increases or other benefits arising under the Tax Receivable Agreement, the Continuing LLC Owners who are parties to the Tax Receivable Agreement will not reimburse us for any payments previously made if such tax basis increases or other tax benefits are subsequently disallowed, except that any excess payments made to the Continuing LLC Owners who are parties to the Tax Receivable Agreement will be netted against future payments otherwise to be made under the Tax Receivable Agreement, if any, after our determination of such excess. In addition, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment. As a result, in such circumstances we could make payments to the Continuing LLC Owners under the Tax Receivable Agreement that are greater than our actual cash tax savings and may not be able to recoup those payments, which could negatively impact our liquidity.

In addition, the Tax Receivable Agreement provides that, upon certain mergers, asset sales or other forms of business combination or certain other changes of control, our or our successor's obligations with respect to tax benefits would be based on certain assumptions, including that we or our successor would have sufficient taxable income to fully utilize the benefits arising from the increased tax deductions and tax basis and other benefits covered by the Tax Receivable Agreement. As a result, upon a change of control, we could be required to make payments under the Tax Receivable Agreement that are greater than or less than the specified percentage of our actual cash tax savings, which could negatively impact our liquidity.

This provision of the Tax Receivable Agreement may result in situations where the Continuing LLC Owners have interests that differ from or are in addition to those of our other stockholders. In addition, we could be required to make payments under the Tax Receivable Agreement that are substantial and in excess of our, or a potential acquirer's, actual cash savings in income tax.

Finally, because we are a holding company with no operations of our own, our ability to make payments under the Tax Receivable Agreement is dependent on the ability of DDH LLC to make distributions to us. To the extent that we are unable to make payments under the Tax Receivable Agreement for any reason, such payments will be deferred and will possibly accrue interest until paid.

DDH LLC Agreement

We will operate our business through DDH LLC and its subsidiary. In connection with the completion of this offering, we and the Continuing LLC Owners will enter into DDH LLC's amended and restated limited liability company agreement, which we refer to as the "DDH LLC Agreement." The operations of DDH LLC, and the rights and obligations of the holders of LLC Units, will be set forth in the DDH LLC Agreement.

Appointment as Manager

Under the DDH LLC Agreement, we will become a member and the sole manager of DDH LLC. As the sole manager, we will be able to control all of the day-to-day business affairs and decision-making of DDH LLC. As such, we, through our officers and directors, will be responsible for all operational and

administrative decisions of DDH LLC and the day-to-day management of DDH LLC's business. Pursuant to the terms of the DDH LLC Agreement, we cannot, under any circumstances, be removed as the sole manager of DDH LLC except by our election.

Compensation

We will not be entitled to compensation for our services as manager. We will be entitled to reimbursement or capital contribution credit by DDH LLC for fees and expenses incurred on behalf of DDH LLC, including all expenses associated with this offering and maintaining our corporate existence.

Distributions

The DDH LLC Agreement will require "tax distributions" to be made by DDH LLC to its members, as that term is defined in the agreement. Tax distributions will be made to members on a pro rata basis, including us, in amounts intended to be sufficient to allow the members, including us, to pay taxes owed in respect of income allocated by DDH LLC and to allow us to meet our obligations under the Tax Receivable Agreement (as described above under "— *Tax Receivable Agreement*"). The DDH LLC Agreement will also allow for distributions to be made by DDH LLC to its members on a pro rata basis out of "distributable cash," as that term is defined in the agreement. We expect DDH LLC may make distributions out of distributable cash periodically to the extent permitted by our agreements governing our indebtedness and necessary to enable us to cover our operating expenses and other obligations, including our tax liability and obligations under the Tax Receivable Agreement, as well as to make dividend payments, if any, to the holders of our Class A common stock.

LLC Unit Redemption Right

The DDH LLC Agreement will provide a redemption right to the Continuing LLC Owners which will entitle them to have their LLC Units redeemed, from time to time at their election (subject to the terms of the DDH LLC Agreement), for newly issued shares of our Class A common stock on a one-for-one basis (subject to customary adjustments, including for stock splits, stock dividends and reclassifications). Upon the exercise of the redemption right, the redeeming member will surrender its LLC Units to DDH LLC for cancellation. The DDH LLC Agreement will require that we contribute shares of our Class A common stock to DDH LLC in exchange for an amount of newly issued LLC Units in DDH LLC that will be issued to us equal to the number of LLC Units redeemed from the Continuing LLC Owners. DDH LLC will then distribute the shares of our Class A common stock to the Continuing LLC Owners to complete the redemption. In the event of such a redemption election by Continuing LLC Owners, Direct Digital Holdings may effect a direct exchange of Class A common stock. Whether by redemption or exchange, we will be obligated to ensure that at all times the number of LLC Units that we own equals the number of shares of Class A common stock issued by us (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities).

Indemnification

The DDH LLC Agreement will provide for indemnification of the manager, members and officers of DDH LLC and their respective subsidiaries or affiliates.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our Class A common stock and Class B common stock, after giving effect to the Organizational Transactions, by:

- each person, or group of affiliated persons, who is known to beneficially own more than 5% of either our Class A common stock or our Class B common stock;
- each of our named executive officers for fiscal year 2020;
- each of our current directors; and
- all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities.

As described in the sections titled "*Organizational Transactions*" and "*Certain Relationships and Related Person Transactions*," the Continuing LLC Owners will be entitled to have their LLC Units redeemed for shares of Class A common stock on a one-for-one basis (subject to customary adjustments, including for stock splits, stock dividends and reclassifications) in accordance with the terms of the DDH LLC Agreement; provided that, at Direct Digital Holdings' election, Direct Digital Holdings may effect a direct exchange of such Class A common stock. In connection with this offering, we will issue to the Continuing LLC Owners one share of Class B common stock for each LLC Unit they own. As a result, the number of shares of Class B common stock listed in the table below will correlate to the number of LLC Units the Continuing LLC Owners will own immediately prior to and after this offering (but after giving effect to the Organizational Transactions other than this offering). See the section titled "*Organizational Transactions.*"

The percentage of beneficial ownership of shares of our Class A common stock and our Class B common stock outstanding before the offering set forth below is based on the number of shares of our common stock to be issued and outstanding immediately following the Organizational Transactions without giving effect to this offering. The percentage of beneficial ownership of our Class A common stock and our Class B common stock after the offering set forth below is based on shares of our common stock to be issued and outstanding immediately after the offering.

Immediately following the consummation of this offering, the Continuing LLC Owners will hold all of the issued and outstanding shares of our Class B common stock. The shares of Class B common stock will have no economic rights, but each share will entitle the holder to one vote per share on all matters on which stockholders of Direct Digital Holdings are entitled to vote generally. The voting power afforded to the Continuing LLC Owners by their shares of Class B common stock will be automatically and correspondingly reduced as they exchange shares of Class B common stock, together with a corresponding number of LLC Units, as applicable, for shares of Class A common stock of Direct Digital Holdings. See the sections titled "*Certain Relationships and Related Person Transactions — DDH LLC Agreement*," and "*Description of Capital Stock.*"

Except as otherwise indicated, all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them, subject to applicable community property laws. Unless otherwise indicated, the address of each person or entity named in the table below is 1233 West Loop S #1170, Houston, TX 77027.

	Shares of Class A Common Stock Beneficially Owned				Shares of Class B Common Stock Beneficially Owned				Total Common Stock Beneficially Owned			
	After Giving Effect to the Organizational Transactions and Before the Offering		After Giving Effect to the Organizational Transactions and After the Offering		After Giving Effect to the Organizational Transactions and Before the Offering		After Giving Effect to the Organizational Transactions and After the Offering		After Giving Effect to the Organizational Transactions and Before the Offering		After Giving Effect to the Organizational Transactions and After the Offering	
	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent	No.	Percent
5% Stockholders												
Direct Digital Management, LLC[1]		—		—		%		%		%		%
Named Executive Officers and Directors												
Mark Walker		%		%		—		—		%		%
Keith Smith		%		%		—		—		%		%
Anu Pillai		%		%		—		—		%		%
		%		%		—		—		%		%
		%		%		—		—		%		%
		%		%		—		—		%		%
All executive officers and directors as a group (persons)		%		%		—		—		%		%

* Less than 1%.

(1) Direct Digital Management, LLC is a holding company in which Mark Walker, our Chairman and Chief Executive Officer, and Keith Smith, our President, each indirectly hold a 50% economic and voting interest. AJN Energy & Transport Ventures, LLC and SKW Financial LLC each own 50% of the equity interests in Direct Digital Management, LLC. Mr. Walker and his wife share investment and dispositive power with respect to the shares of Class B common stock held by AJN Energy & Transport Ventures, LLC. Mr. Smith and his wife share investment and dispositive power with respect to the shares of Class B common stock held by SKW Financial LLC.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our certificate of incorporation and bylaws, each of which will become effective prior to the consummation of this offering, and of specific provisions of Delaware law. The following description also assumes the completion of the Organizational Transactions unless the context requires otherwise. The following description is intended as a summary only and is qualified in its entirety by reference to our certificate of incorporation, our bylaws and the Delaware General Corporation Law (the "DGCL").

General

Our current authorized capital stock consists of 1,000 shares of common stock, no par value per share. Upon the closing of this offering and the filing of our certificate of incorporation, we will be authorized to issue shares of Class A common stock, par value $0.001 per share, shares of Class B common stock, par value $ per share and shares of preferred stock, par value $ per share.

Common Stock

As of the consummation of this offering, there will be shares of our Class A common stock issued and outstanding and shares of our Class B common stock issued and outstanding.

Class A Common Stock

Voting Rights

Holders of our Class A common stock will be entitled to cast one vote per share. Holders of our Class A common stock will not be entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class.

Dividend Rights

Any dividend or distribution paid or payable to the holders of shares of Class A common stock shall be paid pro rata, on an equal priority, pari passu basis; provided, however, that if a dividend or distribution is paid in the form of Class A common stock (or rights to acquire shares of Class A common stock), then the holders of the Class A common stock shall receive Class A common stock (or rights to acquire shares of Class A common stock).

Liquidation Rights

In the event of our liquidation, dissolution or winding-up, upon the completion of the distributions required with respect to any series of redeemable convertible preferred stock that may then be outstanding, our remaining assets legally available for distribution to stockholders shall be distributed on an equal priority, pro rata basis to the holders of Class A common stock, unless different treatment is approved by the majority of the voting power of the outstanding shares of Class A common stock and Class B common stock.

Other Matters

No shares of Class A common stock will be subject to redemption or have preemptive rights to purchase additional shares of Class A common stock. Holders of shares of our Class A common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions

applicable to the Class A common stock. Upon consummation of this offering, all the outstanding shares of Class A common stock will be validly issued, fully paid and non-assessable.

Class B Common Stock

Issuance of Class B Common Stock with LLC Units

Shares of Class B common stock will only be issued in the future to the extent necessary to maintain a one-to-one ratio between the number of LLC Units held by the Continuing LLC Owners and the number of shares of Class B common stock issued to the Continuing LLC Owners. Shares of Class B common stock are transferable only together with an equal number of LLC Units. Shares of Class B common stock will be cancelled on a one-for-one basis if we, at the election of the Continuing LLC Owners, redeem or exchange their LLC Units pursuant to the terms of the DDH LLC Agreement.

Voting Rights

Holders of Class B common stock will be entitled to cast one vote per share, with the number of shares of Class B common stock held by each Continuing LLC Owner being equivalent to the number of LLC Units held by such Continuing LLC Owner. Holders of our Class B common stock will not be entitled to cumulate their votes in the election of directors. The voting power afforded to Continuing LLC Owners by their shares of Class B common stock will be automatically and correspondingly reduced as they redeem their LLC Units because an equal number of their shares of Class B common stock will be cancelled.

Generally, all matters to be voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all Class A and Class B stockholders present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law, amendments to the amended and restated certificate of incorporation must be approved by a majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class. There will be a separate vote of the Class B common stock in the following circumstances:

- if we amend, alter or repeal any provision of the amended and restated certificate of incorporation or the amended and restated bylaws in a manner that modifies the voting, conversion or other powers, preferences, or other special rights or privileges, or restrictions of the Class B common stock;
- if we reclassify any outstanding shares of Class A common stock into shares having rights as to dividends or liquidation that are senior to the Class B common stock or, in the case of Class A common stock, the right to more than one vote for each share thereof; or
- if we authorize any shares of preferred stock with rights as to dividends or liquidation that are senior to the Class B common stock or the right to more than one vote for each share thereof.

Dividend Rights

The shares of Class B common stock have no economic rights. Holders of shares of our Class B common stock do not have any rights to receive dividends.

Retirement

Pursuant to the amended and restated certificate of incorporation that will be in effect immediately prior to the closing of this offering, each share of Class B common stock will be retired, and all rights with respect to such shares shall cease and terminate, automatically upon the earlier to occur of (a) the occurrence of a Transfer (as defined therein), other than a Permitted Transfer (as defined therein) of such share of Class B common stock and (b) on the Final Conversion Date (as defined therein).

Liquidation Rights

On our liquidation, dissolution or winding up, holders of Class B common stock will not be entitled to receive any distribution of our assets.

Transfers

Pursuant to the DDH LLC Agreement, each holder of Class B common stock agrees that:

- the holder will not transfer any shares of Class B common stock to any person unless the holder transfers an equal number of LLC Units to the same person; and
- in the event the holder transfers any LLC Units to any person, the holder will transfer an equal number of shares of Class B common stock to the same person.

Other Matters

No shares of Class B common stock will have preemptive rights to purchase additional shares of Class B common stock. Holders of shares of our Class B common stock do not have subscription, redemption or conversion rights. There will be no redemption or sinking fund provisions applicable to the Class B common stock. Upon consummation of this offering, all outstanding shares of Class B common stock will be validly issued, fully paid and nonassessable.

Preferred Stock

Our board of directors will have the authority, subject to limitations prescribed by Delaware law, to issue up to shares of "blank check" preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our Class A common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our Company and might adversely affect the market price of our Class A common stock and the voting and other rights of the holders of our Class A common stock. We have no current plan to issue any shares of preferred stock.

Anti-Takeover Provisions

Certain provisions of Delaware law, as well as our certificate of incorporation and our bylaws that will become effective immediately prior to the completion of this offering, may have the effect of delaying, deferring or discouraging another person from acquiring control of us. These provisions include the items described below. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

When we have a class of voting stock that is either listed on a national securities exchange or held of record by more than 2,000 stockholders, we will become subject to the provisions of Section 203 of the DGCL ("Section 203"). In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants

do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an "interested stockholder" as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from an amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented. These provisions may have the effect of delaying, deferring or preventing changes in control of our Company.

Certificate of Incorporation and Bylaw Provisions

Our certificate of incorporation and our bylaws, which will become effective immediately prior to the completion of this offering, include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

Board of Directors Vacancies

Each director is to hold office until the next election of the class for which such director shall have been chosen and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Our certificate of incorporation and bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our board of directors and promotes continuity of management.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our bylaws also will specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also 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 our Company.

Removal of Directors

Our certificate of incorporation will provide that directors may only be removed for cause and upon the affirmative vote of two-thirds of the outstanding voting power of our capital stock. Any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

The limitations on the removal of directors and filling of vacancies could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of our Company.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting.

Amendment of Certificate of Incorporation and Bylaws Provisions

Amendments to our certificate of incorporation will require the approval of a two-thirds majority of the outstanding voting power of our capital stock. Our certificate of incorporation and bylaws will provide that approval of stockholders holding a two-thirds majority of our outstanding voting power is required for stockholders to amend or adopt any provision of our bylaws.

Exclusive Forum

Our bylaws will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our bylaws also will provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents arising under the Securities Act. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions will benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. 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. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Listing

We have applied to list our Class A common stock on the Nasdaq Capital Market under the symbol "DRCT."

Transfer Agent and Registrar

The transfer agent and registrar for our capital stock is American Stock Transfer & Trust Company, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

Based on the number of shares outstanding as of September 30, 2021, upon completion of this offering and after giving effect to the Organizational Transactions, shares of Class A common stock will be outstanding. Of these outstanding shares, all shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, except for any shares held by our "affiliates," as that term is defined under Rule 144 promulgated under the Securities Act. Restricted securities may be sold in the public market only if registered or if their resale qualifies for exemption from registration described below under Rule 144 or another available exemption. Also, of these shares, approximately shares will be eligible for sale in the public market 90 days after the date of this prospectus, subject in certain circumstances to the volume, manner of sale and other limitations under Rule 144, and to 180-day lock-up agreements applicable to holders of most of the Company's Class A common stock.

Rule 144

In general, under Rule 144, as currently in effect, once we have been subject to public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, an eligible stockholder is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. To be an eligible stockholder under Rule 144, such stockholder must not be deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and must have beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144, subject to compliance with the public information requirements of Rule 144 and the expiration of the lock-up agreements described below.

In general, under Rule 144, as currently in effect, our affiliates, or persons selling shares on behalf of our affiliates, are entitled to sell shares on expiration of the lock-up agreements described below. Beginning 90 days after the date of this prospectus, within any three-month period, such stockholders may sell a number of shares that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately shares immediately after this offering, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock from us; or
- the average weekly trading volume of our Class A common stock on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Omnibus Incentive Plan

We intend to file a registration statement on Form S-8 under the Securities Act to register all shares of our common stock issuable under the 2021 Plan shortly after the date of this prospectus, permitting the sale of such shares, subject to applicable vesting conditions, by nonaffiliates in the public market without restriction under the Securities Act and by affiliates in the public market, subject to compliance with the resale provisions of Rule 144.

Lock-Up Arrangements

We, each of our directors and officers and our stockholders have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of Class A common stock or any securities convertible into or exchangeable for shares of Class A common stock without the prior written consent of the representatives for a period of 180 days from the closing. These lock-up agreements provide limited exceptions, and their restrictions may be waived at any time by the representatives.

CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of our Class A common stock issued pursuant to this offering by non-U.S. holders (as defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated or proposed thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, in each case in effect as of the date hereof. These authorities may be changed, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought, and will not seek, either an opinion from legal counsel, or any rulings from the IRS regarding the matters discussed below, and there can be no assurance that the IRS will not take a position contrary to those discussed below or that any position taken by the IRS will not be sustained.

This summary is limited to non-U.S. holders who purchase our Class A common stock pursuant to this offering and who hold shares of our Class A common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment purposes). This summary does not address the tax consequences arising under the laws of any non-U.S., state, or local jurisdiction or under U.S. federal gift and estate tax laws or the effect, if any, of the alternative minimum tax or the Medicare contribution tax imposed on net investment income. In addition, this discussion does not address tax considerations applicable to a non-U.S. holder's particular circumstances or to a non-U.S. holder that may be subject to special tax rules, including, without limitation:

- banks, insurance companies, or other financial institutions;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes and investors therein;
- tax-exempt organizations or governmental organizations;
- persons required for U.S. federal income tax purposes to conform the timing of income accruals to their financial statements under Section 451 of the Code;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- U.S. expatriates and former citizens or former long-term residents of the United States;
- persons who hold our Class A common stock as a position in a hedging transaction, "straddle," "conversion transaction," or other risk reduction transaction;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- qualified foreign pension funds as defined in Section 897(l)(2) of the Code and entities all of the interest of which are held by qualified foreign pension funds; and
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code.

In addition, if a partnership (including an entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partner and the partnership. Accordingly, partnerships (and entities treated as such for U.S. federal income tax purposes) that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors regarding the U.S. federal income tax treatment to them in light of their particular circumstances.

PROSPECTIVE INVESTORS ARE ENCOURAGED TO CONSULT WITH AND RELY SOLELY UPON THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR CLASS A COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Non-U.S. Holder Defined

For purposes of this discussion, you are a "non-U.S. holder" if you are a beneficial owner of our Class A common stock and you are neither a "U.S. person" nor an entity or arrangement classified as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) who has the authority to control all substantial decisions of the trust or (y) which has made a valid election under applicable Treasury regulations to be treated as a United States person for U.S. federal income tax purposes.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our Class A common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner, upon the activities of the partnership and upon certain determinations made at the partner level. Accordingly, we urge partners in partnerships (including entities or arrangements treated as partnerships for U.S. federal income tax purposes) considering the purchase of our Class A common stock to consult with and rely solely upon their tax advisors regarding the U.S. federal income tax considerations of the purchase, ownership and disposition of our Class A common stock by such partnership.

Distributions

As described in the section entitled "*Dividend Policy*," we do not expect to make any distributions on our Class A common stock for the foreseeable future. However, if we do make distributions on our Class A common stock or rights to acquire our Class A common stock, other than certain pro rata distributions of Class A common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent distributions exceed both our current and our accumulated earnings and profits, such distributions will first constitute a tax-free return of capital and will reduce your adjusted tax basis in our Class A common stock (determined on a share-by-share basis), but not below zero, and, thereafter, any excess will be treated as capital gain from the sale of our Class A common stock, subject to the tax treatment described below in *"Certain Material United States Federal Income Tax Considerations for Non-U.S. Holders — Gain on Sale or Other Taxable Disposition of Class A Common Stock*."

Any dividend paid to you generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividend, or such lower rate as may be specified by an applicable income tax treaty, except to the extent that the dividends are "effectively connected" dividends, as described below. In order to claim treaty benefits to which you are entitled, you must timely provide us with a properly completed IRS Form W-8BEN or W-8BEN-E (or other applicable or successor form) certifying under penalty of perjury that you (i) are not a "United States person" as defined under the Code, and (ii) qualify for the reduced treaty rate. If you do not timely furnish the required documentation, but are otherwise eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess

amounts withheld by timely filing an appropriate claim for refund with the IRS. If you hold our Class A common stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. This certification must be provided to us (or, if applicable, our paying agent) prior to the payment to you of any dividends and may be required to be updated periodically. Non-U.S. holders should consult their own tax advisors regarding their potential entitlement to benefits under any applicable income tax treaty.

To the extent provided for in the applicable Treasury regulations we may withhold up to 30% of the gross amount of an entire distribution, even if the amount of the entire distribution is greater than the amount of such distribution constituting a dividend. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then a refund of any such excess amounts may be obtained by you by timely filing a claim for refund with the IRS.

Dividends received by you that are effectively connected with your conduct of a trade or business within the United States (and, if an applicable income tax treaty requires, attributable to a permanent establishment or fixed place of business maintained by you in the United States) are exempt from the U.S. federal withholding tax described above. In order to claim this exemption, you must provide us (or, if applicable, our paying agent) with an IRS Form W-8ECI (or a successor form) properly certifying that the dividends are effectively connected with your conduct of a trade or business within the United States. Such "effectively connected dividends," although not subject to U.S. federal withholding tax, are generally taxed at the same U.S. federal income tax rates applicable to U.S. persons, net of certain deductions and credits (except as provided by an applicable income tax treaty). In addition, if you are a corporate non-U.S. holder, you may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on your effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items.

Gain on Sale or Other Taxable Disposition of Class A Common Stock

Subject to the discussions below regarding FATCA (as defined below) and backup withholding, you generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our Class A common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (and, if an applicable income tax treaty requires, the gain is attributable to a permanent establishment or fixed place of business maintained by you in the United States);
- you are a nonresident individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs, and certain other conditions are met; or
- our Class A common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation," or a "USRPHC," for U.S. federal income tax purposes, at any time during the shorter of the five-year period ending on the date of the sale or other taxable disposition of our Class A common stock or your holding period for our Class A common stock, and certain other conditions are met.

If you are a non-U.S. holder described in the first bullet above, you generally will be subject to U.S. federal income tax on the gain derived from the sale or other taxable disposition (net of certain deductions or credits) under the U.S. federal income tax rates generally applicable to U.S. persons (except as provided by an applicable income tax treaty), and corporate non-U.S. holders described in the first bullet above also may be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you are an individual non-U.S. holder described in the second bullet above, you will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the sale or other taxable disposition, which may be offset by U.S. source capital losses for that taxable year (even though you are not considered a resident of the United States), provided that you have timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet above, in general, we would be a USRPHC if our "U.S. real property interests" comprised at least 50% of the sum of the fair market value of our worldwide real property interests plus our other assets used or held in our trade or business. We believe that we are not currently and (based upon our projections as to our business) will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our Class A common stock would not be subject to U.S. federal income tax if our Class A common stock is "regularly traded" (within the meaning of applicable Treasury regulations) on an established securities market, and such non-U.S. holder has owned, actually and constructively, five percent or less of our Class A common stock at all times during the applicable period described above. No assurances can be provided that our Class A common stock will be treated as regularly traded on an established securities market for purposes of the rules described above. Non-U.S. holders are encouraged to consult their own tax advisors with respect to the application of the foregoing rules to their ownership and disposition of our Class A common stock, including any potential entitlement to benefits under any applicable income tax treaty.

Backup Withholding and Information Reporting

Payments of dividends on our Class A common stock will not be subject to backup withholding provided you either certify under penalties of perjury your non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI (or a successor form), or otherwise establish an exemption. However, information returns are required to be filed with the IRS in connection with any distributions on our Class A common stock paid to you, regardless of whether any tax is subject to backup withholding, and whether such distributions constitute dividends.

In addition, proceeds from the sale or other taxable disposition of our Class A common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above, or you otherwise establish an exemption. Proceeds from a disposition of our Class A common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to tax authorities in your country of residence, establishment, or organization.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against a non-U.S. holder's U.S. federal income tax liability, provided that the required information is timely furnished by such non-U.S. holder to the IRS.

Additional Withholding Tax on Payments Made Respecting Foreign Accounts

Sections 1471 through 1474 of the Code, enacted pursuant to the Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder (collectively, "FATCA") impose withholding tax at a rate of 30% on dividends on our Class A common stock paid to a "foreign financial institution" (as defined in the Code), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends on our Class A common stock paid to a "non-financial foreign entity" (as defined in the Code) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none or otherwise establishes an exemption. Additionally, although FATCA withholding would have applied also to gross proceeds of a disposition of the Class A common stock, recently proposed regulations, which taxpayers are permitted to rely on until final regulations are issued, eliminate withholding on such gross proceeds. The withholding provisions under FATCA generally apply to dividends on our Class A common stock. Under certain circumstances, a non-U.S.

holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders are encouraged to consult their own tax advisors regarding the possible implications of FACTA on their investment in our Class A common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. THIS DISCUSSION IS NOT TAX ADVICE. PROSPECTIVE INVESTORS CONSIDERING THE PURCHASE OF OUR CLASS A COMMON STOCK ARE URGED TO CONSULT WITH AND RELY SOLELY UPON THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE APPLICABILITY AND EFFECT OF U.S. FEDERAL ESTATE AND GIFT TAX LAWS AND ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND TAX TREATIES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

We are offering the shares of Class A common stock described in this prospectus through the underwriters listed below. Subject to the terms of the underwriting agreement, the underwriters named below have agreed to buy, severally and not jointly, the number of shares of Class A common stock listed opposite their names below. The underwriters are committed to purchase and pay for all of the shares if any are purchased, other than those shares covered by the over-allotment option described below. Stephens Inc. and The Benchmark Company, LLC are acting as the joint book-running managers of this offering and representatives of the underwriters.

Underwriter	Number of Shares
Stephens Inc.	
The Benchmark Company, LLC	
Total	

The underwriters have advised us that they propose to initially offer the shares of Class A common stock to the public at a price of $ per share. The underwriters propose to offer the shares of Class A common stock to certain dealers at the same price less a concession of not more than $ per share. After the initial offering, these figures may be changed by the underwriters.

The shares sold in this offering are expected to be ready for delivery against payment in immediately available funds on or about , 2021, subject to customary closing conditions. The underwriters may reject all or part of any order.

We have granted to the underwriters an option to purchase up to an additional shares of Class A common stock from us at the same price to the public, and with the same underwriting discount, as set forth in the table below. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, the underwriters will become obligated, subject to certain conditions, to purchase the shares for which they exercise the option.

Commissions and Discounts

The table below summarizes the underwriting discount that we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the over-allotment option. In addition to the underwriting discount, we have agreed to pay up to $150,000 of the fees and expenses of the underwriters, which may include up to $125,000 of fees and expenses of counsel to the underwriters. The fees and expenses of the underwriters that we have agreed to reimburse are not included in the underwriting discount set forth in the table below.

Except as disclosed in this prospectus, the underwriters have not received and will not receive from us any other item of compensation or expense in connection with this offering considered by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to be underwriting compensation under FINRA Rule 5110. The underwriting discount was determined through an arms’ length negotiation between us and the underwriters.

	Per Share	Total with No Over-Allotment	Total with Over-Allotment
Underwriting discount to be paid by us			

We estimate that the total expenses of this offering, excluding underwriting discounts, will be $. This includes $150,000 of fees and expenses of the underwriters. These expenses are payable by us.

Indemnification

We also have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

No Sales of Class A Common Stock

We, each of our directors and officers and our stockholders have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of Class A common stock or any securities convertible into or exchangeable for shares of Class A common stock without the prior written consent of the representatives for a period of 180 days after the date of this prospectus. These lock-up agreements provide limited exceptions, and their restrictions may be waived at any time by the representatives.

Determination of Offering Price

The underwriters have advised us that they propose to offer the shares of Class A common stock directly to the public at the estimated initial public offering price range set forth on the cover page of this prospectus. That price range and the initial public offering price are subject to change as a result of market conditions and other factors. Prior to this offering, no public market exists for our Class A common stock. The initial public offering price of the shares was determined by negotiation between us and the underwriters. The principal factors considered in determining the initial public offering price of the shares included, among others:

- the information in this prospectus and otherwise available to the underwriters, including our financial information;
- the history and the prospects for the industry in which we compete;
- the ability and experience of our management;
- the prospects for our future earnings;
- the present state of our development and our current financial condition;
- the general condition of the economy and the securities markets in the United States at the time of this initial public offering;
- the recent market prices of, and the demand for, publicly-traded securities of generally comparable companies; and
- other factors as were deemed relevant.

We cannot be sure that the initial public offering price will correspond to the price at which the shares of Class A common stock will trade in the public market following this offering or that an active trading market for the shares of Class A common stock will develop or continue after this offering.

Price Stabilization, Short Positions and Penalty Bids

To facilitate this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our Class A common stock during and after the offering. Specifically, the underwriters may create a short position in our Class A common stock for their own accounts by selling more shares of Class A common stock than we have sold to the underwriters. The underwriters may close out any short position by purchasing shares in the open market.

In addition, the underwriters may stabilize or maintain the price of our Class A common stock by bidding for or purchasing shares in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to broker-dealers participating in this offering are reclaimed if shares previously distributed in this offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of our Class A common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of our Class A common stock to the extent that it discourages resales of our Class A common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the Nasdaq Capital Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, the underwriters and selling group members may also engage in passive market making transactions in our Class A common stock on the Nasdaq Capital Market. Passive

market making consists of displaying bids on the Nasdaq Capital Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of our Class A common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that any transaction, if commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

The underwriters or syndicate members may facilitate the marketing of this offering online directly or through one of their respective affiliates. In those cases, prospective investors may view offering terms and a prospectus online and place orders online or through their financial advisors. Such websites and the information contained on such websites, or connected to such sites, are not incorporated into and are not a part of this prospectus.

Other Relationships

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. The underwriters may in the future receive customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Listing

In connection with this offering, we have applied to have our Class A common stock listed on the Nasdaq Capital Market under the symbol “DRCT.” There is no assurance, however, that our Class A common stock will ever be listed on the Nasdaq Capital Market or any other national securities exchange.

Transfer Agent and Registrar

Our transfer agent and registrar is American Stock Transfer & Trust Company, LLC.

Selling Restrictions

No action has been taken in any jurisdiction except the United States that would permit a public offering of our Class A common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or our Class A common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations.* Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

United Kingdom

Each of the underwriters has, separately and not jointly, represented and agreed that:

- it has not made or will not make an offer of the securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA"), except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to us; and
- it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

Switzerland

The securities will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations.

Israel

In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase shares of Class A common stock under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728—1968, including, *inter alia*, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions (the "Addressed Investors"); or (ii) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions (the "Qualified Investors"). The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. We have not and will not take any action that would require us to publish a prospectus in accordance with and subject to the Israeli Securities Law,

5728—1968. We have not and will not distribute this prospectus or make, distribute or direct an offer to subscribe for our securities to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request, as a condition to be offered securities, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with the offer to be issued securities; (iv) that the securities that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728—1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728—1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, *inter alia*, the Addressed Investor's name, address and passport number or Israeli identification number.

European Economic Area

In relation to each Member State of the EEA (each, a "Relevant Member State"), no offer of securities may be made to the public in that Relevant Member State other than:

(a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive,

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the representatives and us that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong

The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire shares. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or

have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and the subsidiary legislation made thereunder); or in circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) ("CO"); or which do not constitute an offer or an invitation to the public for the purposes of the SFO or the CO. The offer of the shares is personal to the person to whom this document has been delivered, and a subscription for shares will only be accepted from such person. No person to whom a copy of this document is issued may issue, circulate or distribute this document in Hong Kong, or make or give a copy of this document to any other person. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (ii) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased pursuant to an offer made in reliance on Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor;

shares, debentures and units of shares, and debentures of that corporation, or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except:

(1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

LEGAL MATTERS

The validity of the shares of our Class A common stock offered hereby will be passed upon for us by McGuireWoods LLP, New York, New York. The underwriters are being represented by Faegre Drinker Biddle & Reath LLP.

EXPERTS

The financial statements of Direct Digital Holdings, Inc. as of August 26, 2021 appearing in this prospectus and registration statement have been audited by Marcum LLP, our independent registered public accounting firm, as set forth in its report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Direct Digital Holdings, LLC as of December 31, 2020 and 2019, and for each of the two years in the period ended December 31, 2020, appearing in this prospectus and registration statement have been audited by Marcum LLP, our independent registered public accounting firm, as set forth in its report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Orange142, LLC as of December 31, 2019 and 2018, and for each of the two years in the period ended December 31, 2019, appearing in this prospectus and registration statement have been audited by Baker Tilly US, LLP, independent registered public accounting firm to Orange142, as set forth in its report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1 under the Securities Act with the SEC to register with the SEC the shares of our Class A common stock being offered in this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed with it. For further information about us and our Class A common stock, reference is made to the registration statement and the exhibits and schedules filed with it. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the SEC. Our filings, including the registration statement, will also be available to you on the internet website maintained by the SEC at *www.sec.gov*. We also maintain an internet website at *www.directdigitalholdings.com*. Upon completion of this offering, you may access these materials free of charge as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Direct Digital Holdings, Inc.

Audited Financial Statements
of Direct Digital Holdings, Inc.

As of August 26, 2021

DIRECT DIGITAL HOLDINGS, INC
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AUGUST 26, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder of
Direct Digital Holdings, Inc.

Opinion on the Financial Statement

We have audited the accompanying balance sheet of Direct Digital Holdings, Inc. (the "Company") as of August 26, 2021, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of August 26, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. 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 audit 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 statement is 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 audit, 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 audit included performing procedures to assess the risks of material misstatement of the financial statement, 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 statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

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

Houston, Texas
September 9 2021

DIRECT DIGITAL HOLDINGS, INC.

BALANCE SHEET
As of August 26, 2021

ASSETS:	
Cash	$200
Total Assets	$200
Commitments and contingencies	
STOCKHOLDER'S EQUITY:	
Common stock, $0 par value per share, 1,000 shares authorized, issued and outstanding	$ —
Additional paid-in-capital	200
Total stockholder's equity	$200

DIRECT DIGITAL HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENT

Note 1 — Organization

Direct Digital Holdings, Inc. (the "Company") was formed as a Delaware corporation on August 23, 2021. The Company was formed for the purpose of completing a public offering and related transactions in order to carry on the business of Direct Digital Holdings, LLC and its subsidiaries ("DDH LLC"). As the manager of DDH LLC, the Company is expected to operate and control all of the business and affairs of DDH LLC, and through DDH LLC, continue to conduct the business now conducted by these subsidiaries.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Separate statements of operations, comprehensive income, changes in stockholder's equity, and cash flows have not been presented because there have been no activities in this entity as of August 26, 2021.

These financial statements have been prepared assuming the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Cash

Cash consists of a deposit in-transit.

Note 3 — Common Stock

On August 23, 2021, the Company was authorized to issue 1,000 shares of common stock, with no par value per share, all of which have been issued or are outstanding. On the balance sheet date, the Company issued 1,000 shares at a purchase price of $0.20 per share for aggregate gross proceeds of $200 to DDH LLC. As of the balance sheet date, the Company had outstanding 1,000 shares of which were owned by DDH LLC.

Note 4 — Subsequent Events

The Company has evaluated subsequent events through August 26, 2021, the date these financial statements were available to be issued. The Company has concluded that no subsequent event has occurred that requires disclosure.

Direct Digital Holdings, LLC and Subsidiaries

Consolidated Financial Statements with Report of Independent Registered Public Accounting Firm

December 31, 2020 and 2019

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
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DECEMBER 31, 2020 AND 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Direct Digital Holdings, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Direct Digital Holdings, LLC (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in equity (deficit) and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits 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/ Marcum LLP

Marcum LLP

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

Houston, Texas
September 9, 2021

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	**2019**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,611,998	$ 882,292
Accounts receivable	4,679,376	834,071
Prepaid expenses and other current assets	223,344	67,535
Total current assets	6,514,718	1,783,898
Goodwill	6,519,636	2,423,936
Intangible assets, net	17,545,396	–
Deferred financing costs, net	90,607	–
Other long-term assets	25,118	15,500
Total assets	$30,695,475	$ 4,223,334
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 3,263,326	$ 3,096,495
Accrued liabilities	1,392,520	608,324
Notes payable, current portion	1,206,750	–
Deferred revenues	308,682	41,945
Related party payables (Note 7)	70,801	–
Seller notes payable	315,509	–
Seller earnout payable	74,909	369,642
Total current liabilities	6,632,497	4,116,406
Notes payable, net of short-term portion and $501,796 deferred financing cost	11,213,697	–
Mandatorily redeemable non-participating preferred units	9,913,940	–
Line of credit	407,051	727,000
Seller notes payable	–	526,403
Seller earnout payable, net of short-term portion	–	124,367
Paycheck Protection Program loan	10,000	–
Economic Injury Disaster Loan	150,000	–
Total liabilities	28,327,185	5,494,176
COMMITMENTS AND CONTINGENCIES (Note 8)		
MEMBERS' EQUITY (DEFICIT)		
Units, 1,000,000 units authorized at December 31, 2020 and 2019 34,182 and 28,545 units issued and outstanding as of December 31, 2020 and 2019, respectively	4,294,241	200
Receivable from members (Note 7)	–	(370,789)
Accumulated deficit	(1,925,951)	(900,253)
Total members' equity (deficit)	2,368,290	(1,270,842)
Total liabilities and members' equity (deficit)	$30,695,475	$ 4,223,334

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	**2019**
Revenues		
Buy-side advertising	$ 9,656,165	$5,472,485
Sell-side advertising	2,821,354	798,622
Total revenues	12,477,519	6,271,107
Cost of revenues		
Buy-side advertising	4,864,234	3,720,594
Sell-side advertising	2,440,975	816,083
Total cost of revenues	7,305,209	4,536,677
Gross profit	5,172,310	1,734,430
Operating expenses		
Compensation, taxes and benefits	3,334,060	1,613,692
General and administrative	1,848,407	993,206
Acquisition transaction costs	834,407	–
Total operating expenses	6,016,874	2,606,898
Loss from operations	(844,564)	(872,468)
Other (expense) income		
Other income	134,776	5,851
Forgiveness of Paycheck Protection Program loan	277,100	–
Gain from revaluation and settlement of seller notes and earnout liability	401,677	79,091
Interest expense	(865,055)	(57,105)
Total other (expense) income	(51,502)	27,837
Tax expense	(12,124)	(39,137)
Net loss	$ (908,190)	$ (883,768)
Net loss per common unit:		
Basic and diluted	$ (30.32)	$ (30.96)
Weighted-average common units outstanding:		
Basic and diluted	29,954	28,545

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
DECEMBER 31, 2020 AND 2019

	Common Units		Receivable from members	Accumulated equity (deficit)	Members' equity (deficit)
	Units	Amount			
Balance, January 1, 2019	28,545	$ 200	$ (58,500)	$ 5,515	$ (52,785)
Advances to members	–	–	(312,289)	–	(312,289)
Distributions to members	–	–	–	(22,000)	(22,000)
Net loss	–	–	–	(883,768)	(883,768)
Balance, December 31, 2019	28,545	200	(370,789)	(900,253)	(1,270,842)
Receipts from members	–	–	370,789	–	370,789
Distribution to members	–	–	–	(117,508)	(117,508)
Shares issued for acquisition of Orange142, LLC	5,637	4,294,041	–	–	4,294,041
Net loss				(908,190)	(908,190)
Balance, December 31, 2020	34,182	$4,294,241	$ –	$ (1,925,951)	$ 2,368,290

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2020 AND 2019

	December 31,	
	2020	**2019**
Cash Flows (Used In) Provided By Operating Activities:		
Net loss	$ (908,190)	$ (883,768)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization of deferred financing costs	84,629	–
Amortization of intangible assets	488,454	–
Forgiveness of Paycheck Protection Program loan	(277,100)	–
Paid-in-kind interest	97,243	–
Gain from revaluation and settlement of earnout liability	(401,677)	(79,091)
Bad debt expense	8,086	109,777
Changes in operating assets and liabilities:		
Accounts receivable	737,554	390,986
Prepaid expenses and other current assets	(7,093)	965
Accounts payable	(516,690)	352,210
Accrued liabilities	540,033	280,375
Deferred revenues	(490,577)	38,789
Related party payable	70,801	–
Net cash (used in) provided by operating activities	(574,527)	210,243
Cash Flows Used In Investing Activities:		
Cash paid for acquisition of Orange142, net of cash acquired	(10,985,849)	–
Net cash used in investing activities	(10,985,849)	–
Cash Flows Provided By Financing Activities:		
Proceeds from note payable	12,825,000	(200,082)
Payments of litigation settlement	(210,000)	–
Proceeds from lines of credit	1,083,051	1,040,000
Payments on lines of credit	(1,403,000)	(313,000)
Payment of deferred financing costs	(677,032)	—
Proceeds from Paycheck Protection Program loan	287,100	—
Proceeds from Economic Injury Disaster Loan	150,000	—
Receipts from (advances to) members	370,789	(312,289)
Payments on seller notes and earnouts payable	(18,318)	(149,628)
Distributions to members	(117,508)	(22,000)
Net cash provided by financing activities	12,290,082	43,001
Net increase in cash and cash equivalents	729,706	253,244
Cash and cash equivalents, beginning of the year	882,292	629,048
Cash and cash equivalents, end of the year	$ 1,611,998	$ 882,292
Non-cash Investing and Financing:		
Issuance of members' units as purchase consideration (Note 3)	$ 14,207,981	$ –
Supplemental Disclosure of Cash Flow Information:		
Cash paid for taxes	$ 12,124	$ 39,137
Cash paid for interest	$ 620,474	$ 31,735

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1 — Organization and Description of Business

Direct Digital Holdings, LLC and its subsidiaries (collectively the "Company", "DDH", "we", "us" and "our"), headquartered in Houston, Texas, is an end-to-end, full-service programmatic advertising platform primarily focused on providing advertising technology, data-driven campaign optimization and other solutions to underserved and less efficient markets on both the buy- and sell-side of the digital advertising ecosystem. Direct Digital Holdings, LLC (or "Holdings") is the holding company for the business formed by its founders in 2018 through the acquisition of Huddled Masses, LLC ("Huddled Masses") and Colossus Media, LLC ("Colossus Media"). In late September 2020, Holdings acquired Orange142, LLC ("Orange142") to further bolster its overall programmatic buy-side advertising platform and to enhance its offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small and mid-sized businesses transitioning into digital with growing digital media budgets. All of the subsidiaries are incorporated in the state of Delaware.

Subsidiary	Current % Ownership	Advertising Solution	Date of Formation	Date of Acquisition
Huddled Masses, LLC	100%	Buy-side	November 13, 2012	June 21, 2018
Colossus Media, LLC	100%	Sell-side	September 8, 2017	June 21, 2018
Orange142, LLC	100%	Buy-side	March 6, 2013	September 30, 2020

Both buy-side businesses, Huddled Masses and Orange142, offer technology-enabled advertising solutions and consulting services to clients through multiple leading demand side platforms ("DSPs"). Colossus Media is our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™ ("Colossus SSP"). Colossus SSP is a stand-alone tech-enabled, data-driven platform that helps deliver targeted advertising to diverse and multicultural audiences, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers, as well as other specific audiences.

Providing both the front-end, buy-side businesses coupled with our proprietary sell-side business, enables us to curate the first through the last mile in the ad tech ecosystem execution process to drive higher results.

Note 2 — Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect the financial position, results of operations and cash flows for all periods presented.

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The adoption dates discussed below reflect this election.

Basis of consolidation

The consolidated financial statements include the accounts of Direct Digital Holdings, LLC and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Business combinations

The Company analyzes acquisitions to determine if the acquisition should be recorded as an asset acquisition or a business combination. The Company accounts for acquired businesses using the acquisition method of accounting under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*, ("ASC 805"), which requires that assets acquired, and liabilities assumed be recorded at the date of acquisition at their respective fair values. The fair value of the consideration paid, including any contingent consideration as applicable, is assigned to the underlying net assets of the acquired business based on their respective fair values based on widely accepted valuation techniques in accordance with ASC Topic 820, *Fair Value Measurement*, as of the closing date. Any excess of the purchase price over the estimated fair values of the net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates used to present value expected future net cash flows, the assessment of each asset's life cycle, and the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate acquisition date fair values to assets acquired and liabilities assumed, and the resulting timing and amounts charged to, or recognized in, current and future operating results. For these and other reasons, actual results may vary significantly from estimated results.

On September 30, 2020, the Company completed the acquisition of Orange142, which was accounted for under ASC 805. See "Note 3 — Business Acquisition".

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the allocation of purchase price consideration in the business combination and the related valuation of acquired assets and liabilities, intangible assets, and goodwill impairment testing. The Company bases its estimates on past experiences, market conditions, and other assumptions that the Company believes are reasonable under the circumstances, and the Company evaluates these estimates on an ongoing basis.

Cash and cash equivalents

Cash and cash equivalents consist of funds deposited with financial institutions and highly liquid instruments with original maturities of three months or less. Such deposits may, at times, exceed federally insured limits. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk to cash.

Accounts receivable

Accounts receivable primarily consist of billed amounts for products and services rendered to customers under normal trade terms. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral. Accounts receivables are stated at net realizable value. The Company began insuring its accounts receivable with unrelated third-party insurance companies in an effort to mitigate any future write-offs and establish an allowance for doubtful accounts as deemed necessary for accounts not covered by this insurance. As of December 31, 2020, and 2019, the Company estimated the allowance for doubtful accounts to be zero. Management periodically reviews outstanding accounts receivable

for reasonableness. If warranted, the Company processes a claim with the third-party insurance company to recover uncollected balances, rather than writing the balances off to bad debt expense. The guaranteed recovery for the claim is approximately 90% of the original balance, and if the full amount is collected by the insurance company, the remaining 10% is remitted to the Company. If the insurance company is unable to collect the full amount, the Company records the remaining 10% to bad debt expense. Bad debt expense was $8,086 and $109,777 for the years ended December 31, 2020, and 2019, respectively.

On November 4, 2019, the Company entered into a factoring agreement with Associated Receivables Funding, Inc. ("A/R Funding"). Of the assigned accounts receivable, 90% is funded to the Company with the remaining 10% held in a reserve escrow account until such time as A/R Funding receives customers' payments. On September 25, 2020, the Company terminated the agreement with A/R Funding and all remaining funds were released from escrow. At December 31, 2019, the reserve escrow balance was $16,220 and is recorded in accounts receivable in the consolidated balance sheets.

Concentrations of credit risk

The Company has customers on both the buy-and sell-side of its business. With the acquisition of Orange142 in September 2020, the mix of our concentrations changed year over year. The following table sets forth our consolidated concentration of accounts receivable:

	December 31,	
	2020	2019
Customer A	40.4%	0.0%
Customer B	18.4%	8.3%
Customer C	7.4%	13.8%
Customer D	0.0%	22.1%
Customer E	0.0%	20.3%
Customer F	0.0%	10.0%

Property and equipment, net

Property and equipment are recognized in the consolidated balance sheets at cost less accumulated depreciation and amortization. The Company capitalizes purchases and depreciates its property and equipment using the straight-line method of depreciation over the estimated useful lives of the respective assets, generally ranging from three to five years. Leasehold improvements are amortized over the shorter of their useful lives or the remaining terms of the related leases. As of December 31, 2020 and 2019, the Company has fully depreciated all property and equipment.

The cost of repairs and maintenance are expensed as incurred. Major renewals or improvements that extend the useful lives of the assets are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed, and any resulting gain or loss is recognized in the consolidated statements of operations.

Goodwill

Under the purchase method of accounting pursuant to ASC 805, goodwill is calculated as the excess of purchase price over the fair value of the net tangible and identifiable intangible assets acquired. In testing goodwill for impairment, we have the option to begin with a qualitative assessment, commonly referred to as "Step 0", to determine whether it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as macroeconomic conditions, industry and market considerations, cost factors, entity-specific financial performance and other events, such as changes in our management, strategy and primary

user base. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a quantitative goodwill impairment analysis is performed, which is referred to as "Step 1". Depending upon the results of that measurement, the recorded goodwill may be written down, and impairment expense is recorded in the consolidated statements of operations when the carrying amount of the reporting unit exceeds the fair value of the reporting unit. Goodwill is reviewed annually and tested for impairment upon the occurrence of a triggering event. For the years ended December 31, 2020 and 2019, we did not recognize any goodwill impairment losses.

As of December 31, 2019, goodwill totaled $2,423,936 as a result of the acquisition of Huddled Masses and Colossus Media in 2018. In connection with the acquisition of Orange142, the Company recorded $4,095,700 of goodwill for a total of $6,519,636 as of December 31, 2020.

Intangible assets, net

Our intangible assets consist of customer relationships, trademarks and non-compete agreements. Our intangible assets are recorded at fair value at the time of their acquisition and are stated within our consolidated balance sheets net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives and recorded as amortization expense within general and administrative expenses in our consolidated statements of operations.

Impairment of long-lived assets

The Company evaluates long-lived assets, including property and equipment, and acquired intangible assets consisting of customer relationships, trademarks and trade names, and non-compete agreements, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is assessed based on the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Any impairment loss, if indicated, is measured as the amount by which the carrying amount of the asset exceeds its estimated fair value and is recognized as a reduction in the carrying amount of the asset. As of December 31, 2020 and 2019, there were no events or changes in circumstances to indicate that the carrying amount of the assets may not be recoverable.

Fair value measurements

The Company follows ASC 820-10, *Fair Value Measurement*, ("ASC 820-10"), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and requires certain disclosures about fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical securities as of the reporting date;

Level 2 — Inputs to the valuation methodology are other significant observable inputs, including quoted prices for similar securities, interest rates, credit risk etc. as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the securities and the reporting entity makes estimates and assumptions relating to the pricing of the securities, including assumptions regarding risk.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

We segregate all financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Deferred financing costs

The Company records costs related to its line of credit and the issuance of debt obligations as deferred financing costs. These costs are deferred and amortized to interest expense using the straight-line method over the life of the debt. Unamortized deferred financing costs related to the line of credit with East West Bank (see Note 5 — Long Term Debt), was $90,607 and $0 as of December 31, 2020 and 2019, respectively, and due to the revolving nature of this debt, was classified as an asset on the consolidated balance sheets. Deferred financing costs for the note payable to SilverPeak Credit Partners, LP ("SilverPeak") (see Note 5 — Long-Term Debt) was $501,796 as of December 31, 2020 and netted against the outstanding debt on the consolidated balance sheets.

Revenue recognition

The Company adopted FASB Accounting Standards Update ("ASU") 2014-09,*Revenue from Contracts with Customers*, ("Topic 606"), as of January 1, 2019, for all contracts not completed as of the date of adoption which had no impact on its financial position or results of operations using the modified retrospective method. The Company recognizes revenue using the following five steps:

- Identification of a contract(s) with a customer;
- Identification of the performance obligation(s) in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligation(s) in the contract; and
- Recognition of revenue when, or as, the performance obligation(s) are satisfied.

The Company's revenues are derived primarily from two sources: buy-side advertising and sell-side advertising.

Buy-side advertising

The Company purchases media based on the budget established by its customers with a focus on leveraging data services, customer branding, real-time market analysis and micro-location advertising. The Company offers its platform on a fully managed and a self-serve basis, which is recognized over time using the output method when the performance obligation is fulfilled. An "impression" is delivered when an advertisement appears on pages viewed by users. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully managed revenue and the delivery of media inventory for self-serve revenue. Many customers run several different campaigns throughout the year to capitalize on different seasons, special events and other happenings at their respective regions and localities. The Company provides digital advertising and media buying capabilities with a focus on generating measurable digital and financial life for its customers.

Revenue arrangements are evidenced by a fully executed insertion order ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign. Performance objectives are generally a measure of targeting, as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchases). These payment models are commonly referred to as CPM (cost per impression), CPC (cost per click) and CPA (cost per action). The majority of the Company's contracts are flat-rate, fee-based contracts.

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In instances where the Company contracts with third-party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and delivering the advertisements for fully managed revenue and providing updates and performing all billing and collection activities for the self-serve proprietary platform.

Cash payments received prior to the Company's delivery of its services are recorded to deferred revenue until the performance obligation is satisfied. The Company recorded deferred revenue (contract liabilities) to account for billings in excess of revenue recognized, primarily related to contractual minimums billed in advance and customer prepayment, of $308,682 and $41,945 as of December 31, 2020 and 2019, respectively.

Sell-side advertising

The Company partners with publishers to sell advertising inventory to its existing buy-side clients, as well as its own Colossus Media-curated clients and the open markets (collectively referred to as "buyers") seeking to access the general market as well as unique multi-cultural audiences. The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile mediums using its proprietary programmatic sell-side platform ("SSP"). The Company refers to its publishers, app developers, and channel partners collectively as its publishers. The Company generates revenue through the monetization of publisher ad impressions on its platform. The Company's platform allows publishers to sell, in real time, ad impressions to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats. The Company recognizes revenue when an ad is delivered in response to a winning bid request from ad buyers. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis, as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and delivering the advertisements for fully managed revenue and providing updates and performing all billing and collection activities for its self-serve proprietary platform.

The Company maintains agreements with each DSP in the form of written service agreements, which set out the terms of the relationship, including payment terms (typically 30 to 90 days) and access to its platform. In an effort to reduce the risk of nonpayment, the Company has insurance with a third-party carrier for its accounts receivable as noted above.

The following table sets forth our concentration of revenue sources as a percentage of total net revenues on a consolidated basis. With the acquisition of Orange142 in September 2020, the mix of our concentrations changed year-over-year.

	December 31,	
	2020	2019
Customer B	14.0%	3.5%
Customer E	11.2%	28.4%
Customer G	9.5%	0.0%
Customer C	7.1%	9.5%
Customer F	2.9%	12.4%
Customer D	0.6%	9.3%

Cost of revenues

Buy-side advertising

Cost of revenues consists primarily of digital media fees, third-party platform access fees, and other third-party fees associated with providing services to our customers.

Sell-side advertising

The Company pays publishers a fee, which is typically a percentage of the value of the ad impressions monetized through the Company's platform. Cost of revenues consists primarily of publisher media fees and data center co-location costs. Media fees include the publishing and real-time bidding costs to secure advertising space.

Advertising costs

The Company expenses advertising costs as incurred. Advertising expense incurred during years ended December 31, 2020 and 2019 was $8,056 and $13,773, respectively. These costs are included in general and administrative expenses in the consolidated statements of operations.

Income taxes

The Company is a limited liability company and is not required to pay federal income tax. Accordingly, no federal income tax expense has been recorded in the consolidated financial statements for the years ended December 31, 2020 and 2019. Taxable income or losses are reported to the individual members for inclusion in their respective individual federal income tax returns. The Company is subject to state income taxes as applicable. Taxes on the consolidated statements of operations represent franchise taxes for the State of Texas.

The Company applies ASC 740-10, *Income Taxes* ("ASC 740-10"), in establishing standards for accounting for uncertain tax positions. The Company evaluates uncertain tax positions with the presumption of audit detection and applies a "more likely than not" standard to evaluate the recognition of tax benefits or provisions. ASC 740-10 applies a two-step process to determine the amount of tax benefits or provisions to record in the consolidated financial statements. First, the Company determines whether any amount may be recognized and then determines how much of a tax benefit or provision should be recognized. As of December 31, 2020 and 2019, the Company had no uncertain tax positions. Accordingly, the Company has not recognized any penalty, interest or tax impact related to uncertain tax positions. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustments at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

Segment information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its Chairman and Chief Executive Officer. The Company views its business as two reportable segments, buy-side advertising, which includes the results of Huddled Masses and Orange142, and sell-side advertising, which includes the results of Colossus Media.

Recently adopted accounting pronouncements

In May 2014, the FASB issued Topic 606. Subsequent to the issuance of Topic 606, the FASB clarified the guidance through several ASUs (collectively, "ASC 606"). This guidance represents a comprehensive

new revenue recognition model that requires a company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which that company expects to be entitled to receive in exchange for those goods or services. This update sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety.

On January 1, 2019, the Company adopted Topic 606 using the modified retrospective method, applied to all contracts not completed as of the date of adoption. This method requires the cumulative effect of the adoption to be recognized as an adjustment to opening retained earnings or accumulated deficit in the period of adoption. The adoption of Topic 606 using the modified retrospective method led the Company to evaluate all contracts not completed as of January 1, 2019. Part of that assessment was to calculate the cumulative effect of adopting the new revenue recognition standard. A majority of the Company's contracts are usage based or have commitments that refresh quarterly and monthly. The Company has a small population of contracts for which pricing is variable through tiered pricing arrangements or that include annual base fees that do not coincide with the calendar year, requiring an estimate of the transaction price attributable to each year. The Company calculated the transaction price related to these contracts to determine the cumulative effect of adoption as of January 1, 2019, and recorded the adjustment, net of tax, to retained earnings and deferred revenue. The adoption of Topic 606 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01,*Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting, including acquisitions, disposals, goodwill, and consolidation. The new guidance amends ASC 805 to provide a more robust framework to use in determining when a set of assets and activities is a business. In addition, the amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The guidance is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. The adoption of ASU 2017-01 did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04,*Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). The amendments in ASU 2017-04 simplify the accounting for goodwill impairment for all entities by requiring impairment charges to be based on the first step in the current two-step impairment test. An impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value should be recognized; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Early adoption is permitted, and the Company early adopted on January 1, 2019. ASU 2017-04 did not have an impact on the Company's consolidated financial statements.

Accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842)*. Under the new guidance, lessees will be required to put most leases on their balance sheets but to recognize expenses in the income statement in a manner similar to current accounting. The guidance also eliminates the current real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs, and lease executory costs for all entities. The updated guidance will be effective for the Company beginning January 1, 2022, with early adoption permitted. Upon adoption, entities will be required to use the modified retrospective approach for leases that exist, or are entered into, after the beginning of the earliest comparative period in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows entities to not apply the new leases standard, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The Company is currently evaluating the potential effect that adopting this guidance will have on its consolidated financial statements.

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In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as amended, which requires, among other things, the use of a new current expected credit loss ("CECL") model in order to determine the Company's allowances for doubtful accounts with respect to accounts receivable. The CECL model requires that the Company estimates its lifetime expected credit loss with respect to its receivables and contract assets and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced its estimate of expected credit losses and the reasons for those changes. This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2022. The Company is currently evaluating the potential effect that adopting this guidance will have on its consolidated financial statements.

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and capital resources

As of December 31, 2020, we had cash and cash equivalents of $1,611,998 and availability under our Revolving Credit Facility (see Note 5 — Long-Term Debt) of $592,949. Based on projections of growth in revenue and operating results in the coming year, the available cash held by us and availability under our Revolving Credit Facility, we believe that we will have sufficient cash resources to finance our operations and service any maturing debt obligations for at least the next twelve months.

Note 3 — Business Acquisition

Effective September 30, 2020, the Company acquired 100% of the equity interests of Orange142 for a purchase price of $26,207,981. The acquisition was funded by a combination of cash, issuance of member common units, mandatorily redeemable preferred units (see Note 6 — Mandatorily Redeemable Preferred Units), a facility term note, and a revolving credit facility (see Note 5 — Long-Term Debt). The Company paid $12,000,000 in cash and issued (i) 5,637 member common units fair valued at $4,294,041, (ii) 3,500 non-participating preferred A units ("Class A Preferred Units") at a redemption value of $3,500,000, and a fair value of $3,458,378, and (iii) 7,046 non-participating preferred B units ("Class B Preferred Units") at a redemption value of $7,046,251, and a fair value of $6,455,562. The acquisition was accounted for using the acquisition method of accounting and, accordingly, the consolidated statements of operations include the results of operations of Orange142 beginning September 30, 2020.

The acquisition of Orange142 was recorded by allocating the total purchase consideration to the fair value of the net tangible assets acquired, including goodwill and intangible assets, in accordance with ASC 805. The purchase consideration exceeded the fair value of the net assets, resulting in goodwill of $4,095,700 and intangible assets of $18,033,850. Intangible assets consist of $13,028,320 of 10-year amortizable customer relationships, $3,501,200 of 10-year amortizable trademarks and tradenames, and $1,504,330 of 5-year amortizable non-compete agreements. The Company records amortization expense on a straight-line basis over the life of the identifiable intangible assets. For the year ended December 31, 2020, amortization expense of $488,454 was recognized, and as of December 31, 2020, intangible assets net of accumulated amortization was $17,545,396.

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Intangible assets and the related accumulated amortization and future amortization expense are as follows:

	Customer lists	Trademarks and tradenames	Non-compete agreements	Total
Fair value at acquisition date	$13,028,320	$ 3,501,200	$ 1,504,330	$18,033,850
Accumulated amortization	(325,708)	(87,530)	(75,217)	(488,455)
Intangibles, net as of December 31, 2020	$12,702,612	$ 3,413,670	$ 1,429,114	$17,545,396
Estimated life (years)	10	10	5	
Weighted-average remaining life (years) at December 31, 2020	9.75	9.75	4.75	

	Total
2021	$ 1,953,818
2022	1,953,818
2023	1,953,818
2024	1,953,818
2025	1,878,602
Thereafter	7,851,522
Total	$17,545,396

The Company paid $12,000,000 in cash and acquired cash of $1,014,151 for net cash used in the acquisition of $10,985,849. Total purchase consideration and fair value of the equity units issued is as follows:

Cash paid to sellers	$12,000,000
Member units issued	4,294,041
Mandatorily redeemable units	9,913,940
Total purchase consideration	$26,207,981

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The following table summarizes the allocations of the purchase consideration to the fair value of the net assets:

Fair value of assets acquired:	
Cash and cash equivalents	$ 1,014,151
Accounts receivable	4,590,945
Prepaid expenses and other current assets	148,717
Other assets	9,618
Intangible assets	18,033,850
Goodwill	4,095,700
Total assets acquired	27,892,981
Fair values of liabilities assumed:	
Accounts payable	$ 683,521
Accrued liabilities	244,165
Deferred revenue	757,314
Total liabilities assumed	1,685,000
Total fair value of net assets	$26,207,981

During the year ended December 31, 2020, the Company incurred $834,407 in acquisition transaction costs related to the acquisition of Orange142. These expenses primarily related to referral and legal fees. The Company does expect to deduct goodwill for tax purposes in future years. The factors that make up goodwill include entry into new markets not previously accessible and generation of future growth opportunities.

The table below presents the unaudited pro forma revenue and net loss of the Company for the fiscal years ended December 31, 2020 and December 31, 2019, assuming the acquisition had occurred on January 1, 2019, pursuant to ASC 805. This unaudited pro forma consolidated financial information does not purport to represent what the actual results of operations of the Company would have been had the acquisition occurred on that date, nor does it purport to predict the results of operations for future periods. This pro forma financial information does not give effect to any anticipated synergies, operating efficiencies or cost savings or any integration costs related to the acquisition. The unaudited pro forma consolidated financial information excludes transaction costs recorded as general and administrative expenses of $834,407 during the year ended December 31, 2020.

	For the Years Ended December 31,	
	2020	2019
Revenue – pro forma combined	$ 30,415,600	$ 23,226,165
Net income (loss) – pro forma combined	$ 3,783,883	$ (1,140,754)

	For the Years Ended December 31,	
	2020	2019
Revenue	$ 12,477,519	$ 6,271,107
Add: revenue, Orange142	17,938,081	16,955,058
Revenue – pro forma combined	$ 30,415,600	$ 23,226,165

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Note 4 — Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31,	
	2020	2019
Accrued compensation and benefits	$ 482,436	$ 80,294
Accrued litigation fees	501,078	501,078
Accrued expenses	317,401	—
Accrued interest	91,605	26,952
Total accrued liabilities	$1,392,520	$608,324

Note 5 — Long-Term Debt

Revolving Line of Credit

East West Bank

On September 30, 2020, the Company entered into a credit agreement that provides for a revolving credit facility with East West Bank in the amount of $4,500,000 and initial availability of $1,000,000 (the "Revolving Credit Facility"). The loans under the Revolving Credit Facility bear interest at the LIBOR rate plus 3.5% per annum, and at December 31, 2020, the rate was 6.75%, with a 0.50% unused line fee. The maturity date of the Revolving Credit Facility is September 30, 2022. All accrued but unpaid interest under the Revolving Credit Facility is payable in monthly installments on each interest payment date until the maturity date when the outstanding principal balance, together with all accrued but unpaid interest will be due. As of December 31, 2020, the Revolving Credit Facility had borrowings outstanding of $407,051, and a deferred financing cost of $90,607 was classified as an asset on the consolidated balance sheets.

The Revolving Credit Facility is secured by the trade accounts receivable of the Company and guaranteed by Holdings. The Revolving Credit Facility includes financial covenants, and as of December 31, 2020, the Company was in compliance with all of its financial covenants.

First Citizens Bank

On May 17, 2019, the Company entered into a line of credit agreement with First Citizens Bank in the amount of $750,000, and as of December 31, 2019, borrowings of $727,000 was outstanding. The line of credit bears fixed interest of 3.15% and expired on May 17, 2020. The agreement was renewed for one additional year through May 17, 2021. The line of credit was secured by a deposit account which had a balance of $750,000 on December 31, 2019. On October 2, 2020, the line of credit was fully repaid.

The components of interest expense and related fees for the lines of credit are as follows:

	December 31,	
	2020	2019
Interest expense – East West Bank	$ 9,391	$ —
Interest expense – First Citizens Bank	19,158	4,544
Amortization of deferred financing costs	12,944	—
Total interest expense and amortization of deferred financing costs	$41,493	$4,544

Accrued and unpaid interest as of December 31, 2020 for the East West Bank was $5,230 related to the unused line fee. As of December 31, 2019 there was no accrued and unpaid interest for the First Citizens Bank line of credit.

Term Loan Facility

SilverPeak

In conjunction with the acquisition of Orange142 (see Note 3 — Business Acquisition), on September 30, 2020, the Company entered into a loan and security agreement (the "Term Loan Facility") with SilverPeak in the amount of $12,825,000, maturing on September 15, 2023. Interest in year one is 15%, of which 12% is payable monthly and 3% is paid-in-kind ("PIK"). All accrued but unpaid interest under the Term Loan Facility is payable in monthly installments on each interest payment date, and the Company is required to repay the outstanding principal balance on January 15 and July 15 of each calendar year in an amount equal to 37.5% of excess cash flow over the preceding six calendar months until the term loan is paid in full. The remaining principal balance, and all accrued but unpaid interest is due on the maturity date.

The obligations under the Term Loan Facility are secured by first-priority liens on all or substantially all assets of the Company and its subsidiaries. The Term Loan Facility contains a number of financial covenants and customary affirmative covenants. In addition, the Term Loan Facility includes a number of negative covenants, including (subject to certain exceptions) limitations on (among other things): indebtedness, liens, investments, acquisitions, dispositions, and restricted payments. Each of Mark Walker ("Walker"), Chairman of the Board and Chief Executive Officer, and Keith Smith ("Smith"), President, have provided limited guarantees of the obligations under the Term Loan Facility. As of December 31, 2020, the Company was in compliance with these covenants.

As of December 31, 2020, the Company owed a balance on the Term Loan Facility of $12,922,243, which includes principal and $97,243 of accrued PIK interest. Financing costs incurred in the transaction were $573,481 and unamortized deferred financing costs as of December 31, 2020 were $501,796. Accrued and unpaid interest was $73,542 as of December 31, 2020 and is included in accrued expenses on the consolidated balance sheets.

The components of interest expense and related fees for the Term Loan Facility are as follows:

	December 31,	
	2020	2019
Interest expense	$518,622	$—
Amortization of deferred financing costs	71,685	—
Total interest expense and amortization of deferred financing costs	$590,307	$—

U.S. Small Business Administration Loans

Economic Injury Disaster Loan

In 2020, the Company applied and was approved for a loan pursuant to the Economic Injury Disaster Loan ("EIDL"), administered by the U.S. Small Business Administration ("SBA"). The Company received the loan proceeds of $150,000 on June 15, 2020. The loan bears interest at a rate of 3.75% and matures on June 15, 2050. Installment payments, including principal and interest, of $731 will be payable monthly beginning June 15, 2022. Each payment will first be applied to pay accrued interest, then the remaining balance will be used to reduce principal. The loan is secured by substantially all assets of the Company. Accrued and unpaid interest expense as of December 31, 2020 was $3,041 and is included in accrued expenses on the consolidated balance sheets.

Paycheck Protection Program

In 2020, the Company applied and was approved for a loan pursuant to the Paycheck Protection Program ("PPP"), administered by the SBA. The PPP was authorized in the Coronavirus Aid, Relief, and

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Economic Security ("CARES") Act and was designed to provide a direct financial incentive for qualifying business to keep their workforce employees. The SBA made PPP loans available to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses, and loans should be forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1.0% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for forgiveness, then months after the end of the covered period.

The Company received the PPP loan proceeds on May 8, 2020. The principal amount of the loan was $287,100 and there are no collateral or guarantee requirements. Under the terms of the PPP, payments were deferred until December 8, 2020. The loan will bear interest at 1% per annum and will mature on May 8, 2022. On October 6, 2020, the Company applied for forgiveness of the loan. On November 30, 2020, $277,100 of the loan was forgiven. On February 16, 2021, the remaining $10,000 balance of the loan was forgiven. The Company recognized $277,100 as other income for the year ended December 31, 2020.

As of December 31, 2020, future minimum payments related to long-term debt is as follows for the years ending December 31:

2021	$ 1,206,750
2022	4,677,123
2023	7,455,421
2024	—
2025	473
Thereafter	149,527
Total	13,489,294
Less current portion	(1,206.750)
Less deferred financing costs	(501,796)
Long-term debt, net	$11,780,748

Note 6 — Mandatorily Redeemable Preferred Units

ASC 480, *Distinguishing Liabilities from Equity,* ("ASC 480"), defines mandatorily redeemable financial instruments as any financial instruments issued in the form of shares that have an unconditional obligation requiring the issuer to redeem the instrument by transferring its assets at a specified or determinable date (or dates) or upon an event that is certain to occur. A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. Under ASC 480, mandatorily redeemable financial instruments shall be measured initially at fair value.

In connection with the acquisition of Orange142, the Company issued mandatorily redeemable preferred units which are only redeemable for a fixed amount of cash at a date specific to each class. Due to the mandatory redemption feature, ASC 480 requires that these preferred units be classified as a liability rather than as a component of equity, with preferred annual returns being accrued and recorded as interest expense.

Class A Preferred Units

In connection with the Orange142 acquisition (see Note 3 — Business Combination), the Company issued 3,500 non-voting Class A Preferred Units at a purchase price of $3,500,000, and a fair value of

$3,458,378. Class A Preferred Units are entitled to certain approval rights and are mandatorily redeemable for $3,500,000 on September 30, 2022, with 10% preferred annual returns paid on a quarterly basis. Due to the mandatory redemption feature, ASC 480, requires that the Class A Preferred Units be classified as a liability rather than as a component of equity, with the preferred annual returns being accrued and recorded as interest expense. For the year ended December 31, 2020, the Company recorded interest expense relating to the Class A Preferred Units of $88,219.

Class B Preferred Units

In connection with the Orange142 acquisition (see Note 3 — Business Combination), the Company issued 7,046 non-voting Class B Preferred Units at a purchase price of $7,046,251, and a fair value of $6,455,562. Class B Preferred Units are mandatorily redeemable for $7,046,251 on September 30, 2024, with 7% preferred annual returns paid on a quarterly basis. Due to the mandatory redemption feature, ASC 480 requires that the Class B Preferred Units be classified as a liability rather than as a component of equity, with the preferred annual returns being accrued and recorded as interest expense. For the year ended December 31, 2020, the Company recorded interest expense relating to the Class B Preferred Units of $124,323.

Note 7 — Related Party Transactions

Related Party Debt

Seller Notes

In conjunction with the acquisition of Huddled Masses and Colossus Media on June 21, 2018, the Company issued seller notes ("Seller Notes"), to shareholders of Huddled Masses and Colossus Media ("Former Shareholders") for a total of $500,000. The Seller Notes bear interest of 5% and matured on June 21, 2021. Also, in conjunction with the acquisition, the Company entered into a $350,000 seller payable ("Seller Payable") with a Former Shareholder that is due in twelve monthly installments of $29,167. During the year ended December 31, 2019, the Company paid $149,628 towards the Seller Payable. The outstanding balance of the Seller Notes was $315,509 and $526,403 as of December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, the Company entered into a settlement agreement ("Settlement Agreement") with the Former Shareholders, and as a result, recorded a net gain of $894 comprised of Seller Note forgiveness of $184,491, Seller Payable forgiveness of $26,403, offset by a $210,000 payment to settle credit card indebtedness. Accrued and unpaid interest was $9,792 and $26,952 as of December 31, 2020 and 2019, respectively. Interest expense related to the Seller Notes was $17,309 and $25,370 for the years ended December 31, 2020 and 2019, respectively.

Seller Earnouts

In conjunction with the acquisition of Huddled Masses and Colossus Media on June 21, 2018, the Company entered into an agreement to pay each of the Former Shareholders a seller earnout ("Seller Earnouts") based on gross revenue generated for each of the three years following the acquisition. The Seller Earnouts were recorded at their estimated fair value at the date of grant and adjusted annually for actual revenues generated as well as estimates of future revenues. The Seller Earnouts are to be paid on June 21, 2021. For the year ended December 31, 2019, the Seller Earnouts were adjusted for actual earnings, and as a result, the Company recorded $79,091 as a gain in the consolidated statements of operations. As a result of the Settlement Agreement in the year ended December 31, 2020 noted above, the Company recognized a gain of $400,783 for the termination of certain seller payouts and paid $18,318 to the Former Shareholders. The outstanding balance of the Seller Earnouts was $74,909 and $494,009 as of December 31, 2020 and 2019, respectively.

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Related Party Transactions

Member Payable

As of December 31, 2020, the Company had a net payable to members that totaled $70,801, which is included as a related party payable on the consolidated balance sheets. As of December 31, 2019, the Company had a net receivable from members that totaled $370,789, which is included as a component of equity on the consolidated balance sheets.

Board Services and Consulting Agreement

On September 30, 2020, the Company entered into board services and consulting agreements with Walker, Smith and Leah Woolford ("Woolford"). Walker, Smith and Woolford are members of the Company. Walker serves as Manager of the Board of Holdings and Chief Executive Officer of the Company. Smith serves as Manager of the Board of Holdings and President of the Company. Woolford serves as Manager of the Board of Holdings and Senior Advisor of the Company. In exchange, the Company pays Walker and Smith annual fees of $450,000 each and employee benefits for their direct families. The Company pays Woolford $300 per hour for up to 50 hours per month and employee benefits for Woolford and her direct family. For the year ended December 31, 2020, total fees paid to Walker, Smith and Woolford were $136,167, $137,942, and $49,670, respectively.

Note 8 — Commitments and Contingencies

Operating Leases

The Company leases furniture and office space in Houston, Austin, and Colorado Springs from an unrelated party under non-cancelable operating leases dating through December 2023. Rent expense for the years ended December 31, 2020 and 2019 was $94,806 and $105,997, respectively.

As of December 31, 2020, future minimum payments under the operating leases were as follows for the year ending December 31:

2021	$143,211
2022	121,651
2023	90,138
	$355,000

Litigation

The Company may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. In management's opinion, the outcome of any such litigation will not materially affect the Company's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome could change materially in the near term.

Huddled Masses was named as a defendant in a lawsuit on July 10, 2019 related to a delinquent balance to a vendor. The matter is currently underway, and the Company has estimated a potential liability of approximately $500,000. Such liability has been recorded and included in accrued liabilities on the consolidated balance sheets as of December 31, 2020 and 2019. The Company entered into mediation discussions beginning April 2021 and expects to resolve the matter during 2021.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9 — Members' Equity (Deficit)

The Company is authorized to issue common units, Class A Preferred Units and Class B Preferred Units. As further described in Note 3 — Business Acquisition and Note 6 — Mandatorily Redeemable Preferred Units, in connection with the acquisition of Orange142, the Company issued 5,637 common units, 3,500 Class A Preferred Units and 7,046 Class B Preferred Units. The common units were valued at $4,294,041 and Class A and Class B Preferred Units were valued at a total of $9,913,940. As of December 31, 2020 and 2019, the total outstanding common units were 34,182 and 28,545, respectively. The common units have voting rights, as well as certain redemption features at the option of the Company. In accordance with ASC 480, as of December 31, 2020, the Company has classified the preferred units as a liability in the consolidated balance sheets.

Note 10 — Loss Per Unit

Basic loss per unit is calculated by dividing the net loss for the year by the weighted average number of units outstanding during the period. The Company does not have any dilutive units, and therefore the diluted weighted average number of units outstanding are equal to the basic weighted average number of units.

	Year Ended December 31,	
	2020	2019
Net loss per unit attributable to members	$(908,190)	$(883,768)
Number of units outstanding at the beginning of the year	28,545	28,545
Weighted average units issued during the year	1,409	—
Number of units outstanding at the end of the year, basic and diluted	29,954	28,545
Net loss per unit, basic and diluted	$ (30.32)	$ (30.96)

Note 11 — Employee Benefit Plans

The Company sponsors a safe harbor, defined contribution 401(k) and profit-sharing plan (the "Plan") that allows eligible employees to contribute a percentage of their compensation. The Company matches employee contributions up to a maximum of 100% of the participant's salary deferral, limited to 4% of the employee's salary. For the year ended December 31, 2020 and 2019, the Company matching contributions were $52,673 and $22,173, respectively. Additionally, the Company may make a discretionary profit-sharing contribution to the Plan. During the years ended December 31, 2020 and December 31, 2019, no profit-sharing contributions were made.

The Company has an Employee Benefit Plan Trust (the "Trust") to provide for the payment or reimbursement of all or a portion of covered medical, dental and prescription expenses for the employees of Orange142. The Trust is funded with contributions made by the Company and participating employees at amounts sufficient to keep the Trust on an actuarially sound basis. The self-funded plan has an integrated stop loss insurance policy for the funding of the Trust benefits in excess of the full funding requirements. As of December 31, 2020 and 2019, there were no unpaid claims for the Company's employees.

Note 12 — Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assess performance. The Company's chief operating decision maker is its Chairman and Chief Executive Officer. The Company views its business as two reportable segments, buy-side advertising,

which includes the results of Huddled Masses and Orange142, and sell-side advertising, which includes the results of Colossus Media. All of the Company's revenues are attributed to the United States.

Revenue by business segment is as follows:

	For the Year Ended December 31,	
	2020	2019
Buy-side advertising	$ 9,656,165	$ 5,472,485
Sell-side advertising	2,821,354	798,622
Total revenues	$ 12,477,519	$ 6,271,107

Operating loss by business segment is as follows:

	For the Year Ended December 31,	
	2020	2019
Buy-side advertising	$ 1,171,324	$ 108,978
Sell-side advertising	29,633	(497,276)
Corporate office expenses	(2,045,521)	(484,170)
Consolidated operating loss	$ (844,564)	$ (872,468)

Total assets by business segment are as follows:

	At December 31,	
	2020	2019
Buy-side advertising	$27,622,180	$1,962,895
Sell-side advertising	2,641,325	1,484,711
Corporate office	431,970	775,728
Total assets	$30,695,475	$4,223,334

Note 13 — Subsequent Events

The Company has evaluated events and transactions occurring subsequent to December 31, 2020 through the date of this report and determined there were no events or transactions that would impact the consolidated financial statements for the year ended December 31, 2020.

On January 15, 2021, and July 15, 2021, the Company made its scheduled Term Loan Facility payment of $77,800 and $1,128,950, respectively.

On February 16, 2021, the remaining $10,000 balance of the PPP loan was forgiven by the SBA. On March 11, 2021, the Company was approved for an additional loan in the amount of $287,163 under the PPP administered by the SBA. Payments will be deferred until June 11, 2022. The PPP loan bears interest at the rate of 1.0% and matures on March 11, 2026.

On June 15, 2021, the remaining $315,509 of the Seller Notes was paid to the Former Shareholders (see Note 7 — Related Party Transactions).

On July 15, 2021, the Company calculated the final Seller Earnouts due, and paid $53,676 to the Former Shareholders (see Note 7 — Related Party Transactions).

Direct Digital Holdings, LLC and Subsidiaries

Consolidated Financial Statements
(unaudited)

September 30, 2021 and 2020

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

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SEPTEMBER 30, 2021 AND 2020

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

	September 30, 2021 (unaudited)	December 31, 2020 (audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,603,152	$ 1,611,998
Accounts receivable, net	3,903,809	4,679,376
Prepaid expenses and other current assets	727,075	223,344
Total current assets	7,234,036	6,514,718
Goodwill	6,519,636	6,519,636
Intangible assets, net	16,080,032	17,545,396
Deferred financing costs, net	51,775	90,607
Other long-term assets	12,948	25,118
Total assets	$29,898,427	$30,695,475
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,110,281	$ 3,263,326
Accrued liabilities	1,510,563	1,392,520
Notes payable, current portion	2,611,685	1,206,750
Deferred revenues	684,303	308,682
Related party payables (Note 7)	69,837	70,801
Seller notes payable	—	315,509
Seller earnout payable	—	74,909
Total current liabilities	7,986,669	6,632,497
Notes payable, net of short-term portion and $286,741 and $501,796 deferred financing cost as of September 30, 2021 and December 31, 2020, respectively	9,086,328	11,213,697
Mandatorily redeemable non-participating preferred units	9,913,940	9,913,940
Line of credit	407,051	407,051
Paycheck Protection Program loan	287,143	10,000
Economic Injury Disaster Loan	150,000	150,000
Total liabilities	27,831,131	28,327,185
COMMITMENTS AND CONTINGENCIES (Note 8)		
MEMBERS' EQUITY		
Units, 1,000,000 units authorized at September 30, 2021 and December 31, 2020; 34,182 units issued and outstanding as of September 30, 2021 and December 31, 2020	4,294,241	4,294,241
Accumulated deficit	(2,226,945)	(1,925,951)
Total members' equity	2,067,296	2,368,290
Total liabilities and members' equity	$29,898,427	$30,695,475

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	For the Nine Months Ended September 30,	
	2021 (unaudited)	2020 (unaudited)
Revenues		
Buy-side advertising	$19,975,235	$4,377,708
Sell-side advertising	5,261,135	1,498,300
Total revenues	25,236,370	5,876,008
Cost of revenues		
Buy-side advertising	7,480,727	2,836,035
Sell-side advertising	4,348,756	1,350,083
Total cost of revenues	11,829,483	4,186,118
Gross profit	13,406,887	1,689,890
Operating expenses		
Compensation, taxes and benefits	6,131,930	1,324,196
General and administrative	4,214,229	600,543
Acquisition transaction costs	—	650,000
Total operating expenses	10,346,159	2,574,739
Income (loss) from operations	3,060,728	(884,849)
Other (expense) income		
Other income	19,186	134,761
Forgiveness of Paycheck Protection Program loan	10,000	—
Gain from revaluation and settlement of seller notes and earnout liability	21,232	401,677
Interest expense	(2,432,567)	(19,925)
Total other (expense) income	(2,382,149)	516,513
Tax expense	(54,878)	(12,154)
Net income (loss)	$ 623,701	$ (380,490)
Net income (loss) per common unit:		
Basic and diluted	$ 18.25	$ (13.32)
Weighted-average common units outstanding:		
Basic and diluted	34,182	28,566

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Common Units				
	Shares	Amount	Receivable from members	Accumulated equity	Members' equity
Balance, December 31, 2019 (audited)	28,545	$ 200	$(370,789)	$ (900,253)	$ (1,270,842)
Receipts from members	—	—	370,789	—	370,789
Distribution to members				(116,958)	(116,958)
Shares issued for acquisition of Orange142, LLC	5,637	4,294,041	—	—	4,294,041
Net loss	—	—	—	(380,490)	(380,490)
Balance, September 30, 2020 (unaudited)	34,182	$4,294,241	$ —	$(1,397,701)	$ 2,896,540

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Common Units				
	Shares	Amount	Receivable from members	Accumulated equity	Members' equity
Balance, December 31, 2019 (audited)	28,545	$ 200	$(370,789)	$ (900,253)	$ (1,270,842)
Receipts from members	—	—	370,789	—	370,789
Distribution to members				(117,508)	(117,508)
Shares issued for acquisition of Orange142, LLC	5,637	4,294,041	—	—	4,294,041
Net loss	—	—	—	(908,190)	(908,190)
Balance, December 31, 2020 (audited)	34,182	4,294,241	—	(1,925,951)	2,368,290
Distribution to members	—	—	—	(924,695)	(924,695)
Net income	—	—	—	623,701	623,701
Balance, September 30, 2021 (unaudited)	34,182	$4,294,241	$ —	$(2,226,945)	$ 2,067,296

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

	For the Nine Months Ended September 30,	
	2021 (unaudited)	2020 (unaudited)
Cash Flows Provided By (Used In) Operating Activities:		
Net income (loss)	$ 623,701	$ (380,490)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of deferred financing costs	253,887	—
Amortization of intangible assets	1,465,364	—
Forgiveness of Paycheck Protection Program loan	(10,000)	—
Paid-in-kind interest	269,260	—
Gain from revaluation and settlement of earnout liability	(21,232)	(401,677)
Bad debt expense	67,541	8,086
Changes in operating assets and liabilities:		
Accounts receivable	708,025	(342,221)
Prepaid expenses and other current assets	(491,560)	17,298
Accounts payable	(153,045)	(424,001)
Accrued liabilities	118,043	257,908
Deferred revenues	375,621	242,162
Related party payable	(964)	70,801
Net cash provided by (used in) operating activities	3,204,641	(952,134)
Cash Flows Used In Investing Activities:		
Cash paid for acquisition of Orange142, net of cash acquired	—	(10,985,849)
Net cash used in investing activities	—	(10,985,849)
Cash Flows (Used In) Provided By Financing Activities:		
Proceeds from note payable	—	12,825,000
Payments on note payable	(1,206,750)	—
Payments of litigation settlement	—	(210,000)
Proceeds from lines of credit	—	430,051
Payment of deferred financing costs	—	(527,032)
Proceeds from Paycheck Protection Program loan	287,143	287,100
Proceeds from Economic Injury Disaster Loan	—	150,000
Receipts from members	—	370,789
Payments on seller notes and earnouts payable	(369,185)	(18,318)
Distributions to members	(924,695)	(116,958)
Net cash (used in) provided by financing activities	(2,213,487)	13,190,632
Net increase in cash and cash equivalents	991,154	1,252,649
Cash and cash equivalents, beginning of the period	1,611,998	882,292
Cash and cash equivalents, end of the period	$ 2,603,152	$ 2,134,941
Non-cash Investing and Financing:		
Issuance of members' units as purchase consideration (Note 3)	$ —	$ 14,592,689
Supplemental Disclosure of Cash Flow Information:		
Cash paid for taxes	$ 14,878	$ 12,154
Cash paid for interest	$ 3,111,628	$ 51,133

See accompanying notes to the consolidated financial statements.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Note 1 — Organization and Description of Business

Direct Digital Holdings, LLC and its subsidiaries (collectively the "Company", "DDH", "we", "us" and "our"), headquartered in Houston, Texas, is an end-to-end, full-service programmatic advertising platform primarily focused on providing advertising technology, data-driven campaign optimization and other solutions to underserved and less efficient markets on both the buy- and sell-side of the digital advertising ecosystem. Direct Digital Holdings, LLC (or "Holdings") is the holding company for the business formed by its founders in 2018 through the acquisition of Huddled Masses, LLC ("Huddled Masses") and Colossus Media, LLC ("Colossus Media"). In late September 2020, Holdings acquired Orange142, LLC ("Orange142") to further bolster its overall programmatic buy-side advertising platform and to enhance its offerings across multiple industry verticals such as travel, healthcare, education, financial services, consumer products, etc. with particular emphasis on small and mid-sized businesses transitioning into digital with growing digital media budgets. All of the subsidiaries are incorporated in the state of Delaware.

Subsidiary	Current % Ownership	Advertising Solution	Date of Formation	Date of Acquisition
Huddled Masses, LLC	100%	Buy-side	November 13, 2012	June 21, 2018
Colossus Media, LLC	100%	Sell-side	September 8, 2017	June 21, 2018
Orange142, LLC	100%	Buy-side	March 6, 2013	September 30, 2020

Both buy-side businesses, Huddled Masses and Orange142, offer technology-enabled advertising solutions and consulting services to clients through multiple leading demand side platforms ("DSPs"). Colossus Media is our proprietary sell-side programmatic platform operating under the trademarked banner of Colossus SSP™ ("Colossus SSP"). Colossus SSP is a stand-alone tech-enabled, data-driven platform that helps deliver targeted advertising to diverse and multicultural audiences, including African Americans, Latin Americans, Asian Americans and LGBTQ+ customers, as well as other specific audiences.

Providing both the front-end, buy-side businesses coupled with our proprietary sell-side business, enables us to curate the first through the last mile in the ad tech ecosystem execution process to drive higher results.

Note 2 — Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and reflect the financial position, results of operations and cash flows for all periods presented.

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The adoption dates discussed below reflect this election.

Basis of consolidation

The consolidated financial statements include the accounts of Direct Digital Holdings, LLC and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Business combinations

The Company analyzes acquisitions to determine if the acquisition should be recorded as an asset acquisition or a business combination. The Company accounts for acquired businesses using the acquisition method of accounting under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*, ("ASC 805"), which requires that assets acquired, and liabilities assumed be recorded at the date of acquisition at their respective fair values. The fair value of the consideration paid, including any contingent consideration as applicable, is assigned to the underlying net assets of the acquired business based on their respective fair values based on widely accepted valuation techniques in accordance with ASC Topic 820, *Fair Value Measurement*, as of the closing date. Any excess of the purchase price over the estimated fair values of the net tangible assets and identifiable intangible assets acquired is recorded as goodwill.

Significant judgments are used in determining the estimated fair values assigned to the assets acquired and liabilities assumed and in determining estimates of useful lives of long-lived assets. Fair value determinations and useful life estimates are based on, among other factors, estimates of expected future net cash flows, estimates of appropriate discount rates used to calculate the present value of expected future net cash flows, the assessment of each asset's life cycle, and the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate acquisition date fair values to assets acquired and liabilities assumed, and the resulting timing and amounts charged to, or recognized in, current and future operating results. For these and other reasons, actual results may vary significantly from estimated results.

On September 30, 2020, the Company completed the acquisition of Orange142, which was accounted for under ASC 805. See "Note 3 — Business Acquisition".

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the allocation of purchase price consideration in the business combination and the related valuation of acquired assets and liabilities, intangible assets, and goodwill impairment testing. The Company bases its estimates on past experiences, market conditions, and other assumptions that the Company believes are reasonable under the circumstances, and the Company evaluates these estimates on an ongoing basis.

Cash and cash equivalents

Cash and cash equivalents consist of funds deposited with financial institutions and highly liquid instruments with original maturities of three months or less. Such deposits may, at times, exceed federally insured limits. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk to cash.

Accounts receivable

Accounts receivable primarily consist of billed amounts for products and services rendered to customers under normal trade terms. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral. Accounts receivables are stated at net realizable value. The Company began insuring its accounts receivable with unrelated third-party insurance companies in an effort to mitigate any future write-offs and establish an allowance for doubtful accounts as deemed necessary for accounts not covered by this insurance. As of September 30, 2021 and December 31, 2020, the Company's allowance for doubtful accounts was $34,833 and $0, respectively. Management periodically reviews

outstanding accounts receivable for reasonableness. If warranted, the Company processes a claim with the third-party insurance company to recover uncollected balances, rather than writing the balances off to bad debt expense. The guaranteed recovery for the claim is approximately 90% of the original balance, and if the full amount is collected by the insurance company, the remaining 10% is remitted to the Company. If the insurance company is unable to collect the full amount, the Company records the remaining 10% to bad debt expense. Bad debt expense was $67,541 and $8,086 for the nine months ended September 30, 2021 and 2020, respectively.

On November 4, 2019, the Company entered into a factoring agreement with Associated Receivables Funding, Inc. ("A/R Funding"). Of the assigned accounts receivable, 90% is funded to the Company with the remaining 10% held in a reserve escrow account until such time as A/R Funding receives customers' payments. On September 25, 2020, the Company terminated the agreement with A/R Funding and all remaining funds were released from escrow.

Concentrations of credit risk

The Company has customers on both the buy-and sell-side of its business. The following table sets forth our consolidated concentration of accounts receivable:

	September 30, 2021	December 31, 2020
Customer A	49.9%	7.4%
Customer B	6.0%	40.4%
Customer C	5.3%	18.4%

Property and equipment, net

Property and equipment are recognized in the consolidated balance sheets at cost less accumulated depreciation and amortization. The Company capitalizes purchases and depreciates its property and equipment using the straight-line method of depreciation over the estimated useful lives of the respective assets, generally ranging from three to five years. Leasehold improvements are amortized over the shorter of their useful lives or the remaining terms of the related leases. As of September 30, 2021 and December 31, 2020, the Company has fully depreciated all property and equipment.

The cost of repairs and maintenance are expensed as incurred. Major renewals or improvements that extend the useful lives of the assets are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed, and any resulting gain or loss is recognized in the consolidated statements of operations.

Goodwill

Under the purchase method of accounting pursuant to ASC 805, goodwill is calculated as the excess of purchase price over the fair value of the net tangible and identifiable intangible assets acquired. In testing goodwill for impairment, we have the option to begin with a qualitative assessment, commonly referred to as "Step 0", to determine whether it is more likely than not that the fair value of a reporting unit containing goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as macroeconomic conditions, industry and market considerations, cost factors, entity-specific financial performance and other events, such as changes in our management, strategy and primary user base. If the Company determines that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a quantitative goodwill impairment analysis is performed, which is referred to as "Step 1". Depending upon the results of that measurement, the recorded goodwill may be written down, and impairment expense is recorded in the consolidated statements of operations when the

carrying amount of the reporting unit exceeds the fair value of the reporting unit. Goodwill is reviewed annually and tested for impairment upon the occurrence of a triggering event. For the nine months ended September 30, 2021 and 2020, we did not recognize any goodwill impairment losses.

As of September 30, 2021, goodwill was $6,519,636, which included $2,423,936 as a result of the acquisition of Huddled Masses and Colossus Media in 2018 and $4,095,700 of goodwill recognized from the acquisition of Orange142 in September 2020.

Intangible assets, net

Our intangible assets consist of customer relationships, trademarks and non-compete agreements. Our intangible assets are recorded at fair value at the time of their acquisition and are stated within our consolidated balance sheets net of accumulated amortization. Intangible assets are amortized on a straight-line basis over their estimated useful lives and recorded as amortization expense within general and administrative expenses in our consolidated statements of operations.

Impairment of long-lived assets

The Company evaluates long-lived assets, including property and equipment, and acquired intangible assets consisting of customer relationships, trademarks and trade names, and non-compete agreements, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is assessed based on the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Any impairment loss, if indicated, is measured as the amount by which the carrying amount of the asset exceeds its estimated fair value and is recognized as a reduction in the carrying amount of the asset. As of September 30, 2021 and December 31, 2020, there were no events or changes in circumstances to indicate that the carrying amount of the assets may not be recoverable.

Fair value measurements

The Company follows ASC 820-10, *Fair Value Measurement*, ("ASC 820-10"), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and requires certain disclosures about fair value measurements. ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical securities as of the reporting date;

Level 2 — Inputs to the valuation methodology are other significant observable inputs, including quoted prices for similar securities, interest rates, credit risk etc. as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the securities and the reporting entity makes estimates and assumptions relating to the pricing of the securities, including assumptions regarding risk.

We segregate all financial assets and liabilities that are measured at fair value on a recurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

Deferred financing costs

The Company records costs related to its line of credit and the issuance of debt obligations as deferred financing costs. These costs are deferred and amortized to interest expense using the straight-line method over the life of the debt. Unamortized deferred financing costs related to the line of credit with East West Bank (see Note 5 — Long Term Debt), was $51,775 and $90,607 as of September 30, 2021 and December 31, 2020, respectively, and due to the revolving nature of this debt, was classified as an asset on the consolidated balance sheets.

Deferred financing costs for the note payable to SilverPeak Credit Partners, LP ("SilverPeak") (see Note 5 — Long-Term Debt) was $286,741 and $501,796 as of September 30, 2021 and December 31, 2020, respectively, and netted against the outstanding debt on the consolidated balance sheets.

Revenue recognition

The Company adopted FASB Accounting Standards Update ("ASU") 2014-09,*Revenue from Contracts with Customers*, ("Topic 606"), as of January 1, 2019, for all contracts not completed as of the date of adoption which had no impact on its financial position or results of operations using the modified retrospective method. The Company recognizes revenue using the following five steps:

- Identification of a contract(s) with a customer;
- Identification of the performance obligation(s) in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligation(s) in the contract; and
- Recognition of revenue when, or as, the performance obligation(s) are satisfied.

The Company's revenues are derived primarily from two sources: buy-side advertising and sell-side advertising.

Buy-side advertising

The Company purchases media based on the budget established by its customers with a focus on leveraging data services, customer branding, real-time market analysis and micro-location advertising. The Company offers its platform on a fully managed and a self-serve basis, which is recognized over time using the output method when the performance obligation is fulfilled. An "impression" is delivered when an advertisement appears on pages viewed by users. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully managed revenue and the delivery of media inventory for self-serve revenue. Many customers run several different campaigns throughout the year to capitalize on different seasons, special events and other happenings at their respective regions and localities. The Company provides digital advertising and media buying capabilities with a focus on generating measurable digital and financial life for its customers.

Revenue arrangements are evidenced by a fully executed insertion order ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign. Performance objectives are generally a measure of targeting, as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchases). These payment models are commonly referred to as CPM (cost per impression), CPC (cost per click) and CPA (cost per action). The majority of the Company's contracts are flat-rate, fee-based contracts.

In instances where the Company contracts with third-party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment

of whether the Company is acting as the principal or an agent in the transaction. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and delivering the advertisements for fully managed revenue and providing updates and performing all billing and collection activities for the self-serve proprietary platform.

Cash payments received prior to the Company's delivery of its services are recorded to deferred revenue until the performance obligation is satisfied. The Company recorded deferred revenue (contract liabilities) to account for billings in excess of revenue recognized, primarily related to contractual minimums billed in advance and customer prepayment, of $684,303 and $308,682 as of September 30, 2021 and December 31, 2020, respectively.

Sell-side advertising

The Company partners with publishers to sell advertising inventory to its existing buy-side clients, as well as its own Colossus Media-curated clients and the open markets (collectively referred to as "buyers") seeking to access the general market as well as unique multi-cultural audiences. The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile mediums using its proprietary programmatic sell-side platform ("SSP"). The Company refers to its publishers, app developers, and channel partners collectively as its publishers. The Company generates revenue through the monetization of publisher ad impressions on its platform. The Company's platform allows publishers to sell, in real time, ad impressions to buyers and provides automated inventory management and monetization tools to publishers across various device types and digital ad formats. The Company recognizes revenue when an ad is delivered in response to a winning bid request from ad buyers. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis, as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and delivering the advertisements for fully managed revenue and providing updates and performing all billing and collection activities for its self-serve proprietary platform.

The Company maintains agreements with each DSP in the form of written service agreements, which set out the terms of the relationship, including payment terms (typically 30 to 90 days) and access to its platform. In an effort to reduce the risk of nonpayment, the Company has insurance with a third-party carrier for its accounts receivable as noted above.

The following table sets forth our concentration of revenue sources as a percentage of total net revenues on a consolidated basis. With the acquisition of Orange142 in September 2020, the mix of our concentrations changed year-over-year.

	For the Nine Months Ended September 30,	
	2021	2020
Customer E	16.8%	0.0%
Customer A	16.7%	9.1%
Customer D	15.4%	0.0%
Customer C	3.0%	15.2%
Customer F	0.0%	35.6%
Customer G	2.8%	12.4%

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Cost of revenues

Buy-side advertising

Cost of revenues consists primarily of digital media fees, third-party platform access fees, and other third-party fees associated with providing services to our customers.

Sell-side advertising

The Company pays publishers a fee, which is typically a percentage of the value of the ad impressions monetized through the Company's platform. Cost of revenues consists primarily of publisher media fees and data center co-location costs. Media fees include the publishing and real-time bidding costs to secure advertising space.

Advertising costs

The Company expenses advertising costs as incurred. Advertising expense incurred during the nine months ended September 30, 2021 and 2020 was $145,609 and $5,388, respectively. These costs are included in general and administrative expenses in the consolidated statements of operations.

Income taxes

The Company is a limited liability company and is not required to pay federal income tax. Accordingly, no federal income tax expense has been recorded in the consolidated financial statements for the nine months ended September 30, 2021 and 2020. Taxable income or losses are reported to the individual members for inclusion in their respective individual federal income tax returns. The Company is subject to state income taxes as applicable. Taxes on the consolidated statements of operations represent franchise taxes for the State of Texas.

The Company applies ASC 740-10, *Income Taxes* ("ASC 740-10"), in establishing standards for accounting for uncertain tax positions. The Company evaluates uncertain tax positions with the presumption of audit detection and applies a "more likely than not" standard to evaluate the recognition of tax benefits or provisions. ASC 740-10 applies a two-step process to determine the amount of tax benefits or provisions to record in the consolidated financial statements. First, the Company determines whether any amount may be recognized and then determines how much of a tax benefit or provision should be recognized. As of September 30, 2021 and December 31, 2020, the Company had no uncertain tax positions. Accordingly, the Company has not recognized any penalty, interest or tax impact related to uncertain tax positions. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustments at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

Segment information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is its Chairman and Chief Executive Officer. The Company views its business as two reportable segments, buy-side advertising, which includes the results of Huddled Masses and Orange142, and sell-side advertising, which includes the results of Colossus Media.

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Accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842).* Under the new guidance, lessees will be required to put most leases on their balance sheets but to recognize expenses in the income statement in a manner similar to current accounting. The guidance also eliminates the current real estate-specific provisions and changes the guidance on sale-leaseback transactions, initial direct costs, and lease executory costs for all entities. The updated guidance will be effective for the Company beginning January 1, 2022, with early adoption permitted. Upon adoption, entities will be required to use the modified retrospective approach for leases that exist, or are entered into, after the beginning of the earliest comparative period in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which allows entities to not apply the new leases standard, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The Company is currently evaluating the potential effect that adopting this guidance will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13 *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, as amended, which requires, among other things, the use of a new current expected credit loss ("CECL") model in order to determine the Company's allowances for doubtful accounts with respect to accounts receivable. The CECL model requires that the Company estimates its lifetime expected credit loss with respect to its receivables and contract assets and record allowances that, when deducted from the balance of the receivables, represent the net amounts expected to be collected. The Company will also be required to disclose information about how it developed the allowances, including changes in the factors that influenced its estimate of expected credit losses and the reasons for those changes. This ASU is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2022. The Company is currently evaluating the potential effect that adopting this guidance will have on its consolidated financial statements.

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Liquidity and capital resources

As of September 30, 2021, we had cash and cash equivalents of $2,603,152 and availability under our Revolving Credit Facility (see Note 5 — Long-Term Debt) of $592,949. Based on projections of growth in revenue and operating results in the coming year, the available cash held by us and availability under our Revolving Credit Facility, we believe that we will have sufficient cash resources to finance our operations and service any maturing debt obligations for at least the next twelve months.

Note 3 — Business Acquisition

Effective September 30, 2020, the Company acquired 100% of the equity interests of Orange142 for a purchase price of $26,207,981. The acquisition was funded by a combination of cash, issuance of member common units, mandatorily redeemable preferred units (see Note 6 — Mandatorily Redeemable Preferred Units), a facility term note, and a revolving credit facility (see Note 5 — Long-Term Debt). The Company paid $12,000,000 in cash and issued (i) 5,637-member common units fair valued at $4,294,041, (ii) 3,500 non-participating preferred A units ("Class A Preferred Units") at a redemption value of $3,500,000, and a fair value of $3,458,378, and (iii) 7,046 non-participating preferred B units ("Class B Preferred Units") at a redemption value of $7,046,251, and a fair value of $6,455,562. The acquisition was accounted for using

the acquisition method of accounting and, accordingly, the consolidated statements of operations include the results of operations of Orange142 beginning September 30, 2020.

The acquisition of Orange142 was recorded by allocating the total purchase consideration to the fair value of the net tangible assets acquired, including goodwill and intangible assets, in accordance with ASC 805. The purchase consideration exceeded the fair value of the net assets, resulting in goodwill of $4,095,700 and intangible assets of $18,033,850. Intangible assets consist of $13,028,320 of 10-year amortizable customer relationships, $3,501,200 of 10-year amortizable trademarks and tradenames, and $1,504,330 of 5-year amortizable non-compete agreements. The Company records amortization expense on a straight-line basis over the life of the identifiable intangible assets. For the nine months ended September 30, 2021, amortization expense of $1,465,364 was recognized, and as of September 30, 2021, intangible assets net of accumulated amortization was $16,080,032.

Intangible assets and the related accumulated amortization and future amortization expense are as follows:

Trademarks and Non-compete

	Customer lists	Trademarks and tradenames	Non-compete agreements	Total
Fair value at acquisition date	$13,028,320	$ 3,501,200	$ 1,504,330	$18,033,850
Accumulated amortization	(1,302,832)	(350,120)	(300,866)	(1,953,818)
Intangibles, net as of September 30, 2021	$11,725,488	$ 3,151,080	$ 1,203,464	$16,080,032
Estimated life (years)	10	10	5	
Weighted-average remaining life (years) at September 30, 2021	9.0	9.0	4.0	

	Total
2021	$ 488,454
2022	1,953,818
2023	1,953,818
2024	1,953,818
2025	1,878,602
Thereafter	7,851,522
Total	$ 16,080,032

The Company paid $12,000,000 in cash and acquired cash of $1,014,151 for net cash used in the acquisition of $10,985,849. Total purchase consideration and fair value of the equity units issued is as follows:

Cash paid to sellers	$ 12,000,000
Member units issued	4,294,041
Mandatorily redeemable units	9,913,940
Total purchase consideration	$ 26,207,981

The following table summarizes the allocations of the purchase consideration to the fair value of the net assets:

Fair value of assets acquired:	
Cash and cash equivalents	$ 1,014,151

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Accounts receivable	4,590,945
Prepaid expenses and other current assets	148,717
Other assets	9,618
Intangible assets	18,033,850
Goodwill	4,095,700
Total assets acquired	27,892,981
Fair values of liabilities assumed:	
Accounts payable	$ 683,521
Accrued liabilities	244,165
Deferred revenue	757,314
Total liabilities assumed	1,685,000
Total fair value of net assets	$ 26,207,981

During the nine months ended September 30, 2020, the Company incurred $650,000 in acquisition transaction costs related to the acquisition of Orange142. These expenses primarily related to referral and legal fees.

The Company does expect to deduct goodwill for tax purposes in future years. The factors that make up goodwill include entry into new markets not previously accessible and generation of future growth opportunities.

The table below presents the unaudited pro forma revenue and net loss of the Company for the nine months ended September 30, 2020, assuming the acquisition had occurred on January 1, 2019, pursuant to ASC 805. This unaudited pro forma consolidated financial information does not purport to represent what the actual results of operations of the Company would have been had the acquisition occurred on that date, nor does it purport to predict the results of operations for future periods. This pro forma financial information does not give effect to any anticipated synergies, operating efficiencies or cost savings or any integration costs related to the acquisition. The unaudited pro forma consolidated financial information excludes transaction costs recorded as general and administrative expenses of $650,000 during the nine months ended September 30, 2020.

	For the Nine Months Ended September 30, 2020
Revenue — pro forma combined	$ 23,814,089
Net income — pro forma combined	$ 3,989,949

	For the Nine Months Ended September 30, 2020
Revenue	$ 5,876,008
Add: revenue, Orange142	17,938,081
Revenue — pro forma combined	$ 23,814,089

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Note 4 — Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2021	December 31, 2020
Accrued compensation and benefits	$ 610,166	$ 482,436
Accrued litigation fees	501,078	501,078
Accrued expenses	313,287	317,401
Accrued interest	86,032	91,605
Total accrued liabilities	$ 1,510,563	$ 1,392,520

Note 5 — Long-Term Debt

Revolving Line of Credit

East West Bank

On September 30, 2020, the Company entered into a credit agreement that provides for a revolving credit facility with East West Bank in the amount of $4,500,000 and initial availability of $1,000,000 (the "Revolving Credit Facility"). The loans under the Revolving Credit Facility bear interest at the LIBOR rate plus 3.5% per annum, and at September 30, 2021, the rate was 6.75%, with a 0.50% unused line fee. The maturity date of the Revolving Credit Facility is September 30, 2022. All accrued but unpaid interest under the Revolving Credit Facility is payable in monthly installments on each interest payment date until the maturity date when the outstanding principal balance, together with all accrued but unpaid interest will be due. As of each of September 30, 2021 and December 31, 2020, the Revolving Credit Facility had borrowings outstanding of $407,051 and the deferred financing cost of $51,775 and $90,607 as of September 30, 2021 and December 31, 2020, respectively, was classified as an asset on the consolidated balance sheets.

The Revolving Credit Facility is secured by the trade accounts receivable of the Company and guaranteed by Holdings. The Revolving Credit Facility includes financial covenants, and as of September 30, 2021 and December 31, 2020, the Company was in compliance with all of its financial covenants.

First Citizens Bank

On May 17, 2019, the Company entered into a line of credit agreement with First Citizens Bank in the amount of $750,000, and as of December 31, 2019, borrowings of $727,000 were outstanding. The line of credit bears fixed interest of 3.15% and expired on May 17, 2020. The agreement was renewed for one additional year through May 17, 2021. The line of credit was secured by a deposit account which had a balance of $750,000 on December 31, 2019. On October 2, 2020, the line of credit was fully repaid.

The components of interest expense and related fees for the lines of credit are as follows:

	For the Nine Months Ended September 30,	
	2021	2020
Interest expense — East West Bank	$ 28,368	$ —
Interest expense — First Citizens Bank	—	18,297
Amortization of deferred financing costs	38,832	—
Total interest expense and amortization of deferred financing costs	$ 67,200	$ 18,297

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Accrued and unpaid interest as of September 30, 2021 for the East West Bank was $5,100 related to the unused line fee. As of December 31, 2020 there was no accrued and unpaid interest for the First Citizens Bank line of credit.

Term Loan Facility

SilverPeak

In conjunction with the acquisition of Orange142 (see Note 3 — Business Acquisition), on September 30, 2020, the Company entered into a loan and security agreement (the "Term Loan Facility") with SilverPeak in the amount of $12,825,000, maturing on September 15, 2023. Interest in year one is 15%, of which 12% is payable monthly and 3% is paid-in-kind ("PIK"). All accrued but unpaid interest under the Term Loan Facility is payable in monthly installments on each interest payment date, and the Company is required to repay the outstanding principal balance on January 15 and July 15 of each calendar year in an amount equal to 37.5% of excess cash flow over the preceding six calendar months until the term loan is paid in full. The remaining principal balance, and all accrued but unpaid interest is due on the maturity date.

The obligations under the Term Loan Facility are secured by first-priority liens on all or substantially all assets of the Company and its subsidiaries. The Term Loan Facility contains a number of financial covenants and customary affirmative covenants. In addition, the Term Loan Facility includes a number of negative covenants, including (subject to certain exceptions) limitations on (among other things): indebtedness, liens, investments, acquisitions, dispositions, and restricted payments. Each of Mark Walker ("Walker"), Chairman of the Board and Chief Executive Officer, and Keith Smith ("Smith"), President, have provided limited guarantees of the obligations under the Term Loan Facility. As of September 30, 2021 and December 31, 2020, the Company was in compliance with these covenants.

As of September 30, 2021 and December 31, 2020, the Company owed a balance on the Term Loan Facility of $11,984,754 and $12,922,243, respectively, which includes principal and $366,504 and $97,243, respectively, of accrued PIK interest. Financing costs incurred in the transaction were $573,481 and unamortized deferred financing costs as of September 30, 2021 and December 31, 2020 were $286,741 and $501,796, respectively. Accrued and unpaid interest was $73,697 and $73,542 as of September 30, 2021 and December 31, 2020, respectively and is included in accrued expenses on the consolidated balance sheets.

The components of interest expense and related fees for the Term Loan Facility are as follows:

	For the Nine Months Ended September 30,	
	2021	2020
Interest expense	$ 1,509,752	$ —
Amortization of deferred financing costs	215,055	—
Total interest expense and amortization of deferred financing costs	$ 1,724,807	$ —

U.S. Small Business Administration Loans

Economic Injury Disaster Loan

In 2020, the Company applied and was approved for a loan pursuant to the Economic Injury Disaster Loan ("EIDL"), administered by the U.S. Small Business Administration ("SBA"). The Company received the loan proceeds of $150,000 on June 15, 2020. The loan bears interest at a rate of 3.75% and matures on June 15, 2050. Installment payments, including principal and interest, of $731 will be payable monthly

beginning June 15, 2022. Each payment will first be applied to pay accrued interest, then the remaining balance will be used to reduce principal. The loan is secured by substantially all assets of the Company.

Accrued and unpaid interest expense as of September 30, 2021 and December 31, 2020 was $7,235 and $3,041, respectively, and is included in accrued expenses on the consolidated balance sheets.

Paycheck Protection Program

In 2020, the Company applied and was approved for a loan pursuant to the Paycheck Protection Program ("PPP"), administered by the SBA (the "PPP-1 Loan"). The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and was designed to provide a direct financial incentive for qualifying business to keep their workforce employees. The SBA made PPP loans available to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses, and loans should be forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll and utilities.

The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over two years if issued before, or five years if issued after, June 5, 2020 at an interest rate of 1.0% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for forgiveness, then months after the end of the covered period.

The Company received the PPP-1 Loan proceeds on May 8, 2020. The principal amount of the PPP-1 Loan was $287,100 and there are no collateral or guarantee requirements. Under the terms of the PPP-1 Loan, payments were deferred until December 8, 2020. The loan bears interest at 1% per annum and matures on May 8, 2022. On October 6, 2020, the Company applied for forgiveness of the PPP-1 Loan. On November 30, 2020, $277,100 of the PPP-1 Loan was forgiven. On February 16, 2021, the remaining $10,000 balance of the PPP-1 Loan was forgiven.

In March 2021, the Company applied for and received another PPP loan (the "PPP-2 Loan") for a principal amount of $287,143 and there are no collateral or guarantee requirements. Under the terms of the PPP-2 Loan, monthly payments of $6,440 are due starting June 11, 2022, and the loan bears interest at 1% per annum and matures on March 11, 2026.

As of September 30, 2021, future minimum payments related to long-term debt is as follows for the years ended December 31:

2021	$ —
2022	3,062,435
2023	9,447,981
2024	74,912
2025	75,385
Thereafter	168,235
Total	12,828,948
Less current portion	(2,611,685)
Less deferred financing costs	(286,741)
Long-term debt, net	$ 9,930,522

Note 6 — Mandatorily Redeemable Preferred Units

ASC 480, *Distinguishing Liabilities from Equity,* ("ASC 480"), defines mandatorily redeemable financial instruments as any financial instruments issued in the form of shares that have an unconditional obligation

requiring the issuer to redeem the instrument by transferring its assets at a specified or determinable date (or dates) or upon an event that is certain to occur. A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. Under ASC 480, mandatorily redeemable financial instruments shall be measured initially at fair value.

In connection with the acquisition of Orange142, the Company issued mandatorily redeemable preferred units which are only redeemable for a fixed amount of cash at a date specific to each class. Due to the mandatory redemption feature, ASC 480 requires that these preferred units be classified as a liability rather than as a component of equity, with preferred annual returns being accrued and recorded as interest expense.

Class A Preferred Units

In connection with the Orange142 acquisition (see Note 3 — Business Combination), the Company issued 3,500 non-voting Class A Preferred Units at a purchase price of $3,500,000, and a fair value of $3,458,378. Class A Preferred Units are entitled to certain approval rights and are mandatorily redeemable for $3,500,000 on September 30, 2022, with 10% preferred annual returns paid on a quarterly basis. Due to the mandatory redemption feature, ASC 480, requires that the Class A Preferred Units be classified as a liability rather than as a component of equity, with the preferred annual returns being accrued and recorded as interest expense. For the nine months ended September 30, 2021 and 2020, the Company recorded interest expense relating to the Class A Preferred Units of $261,781 and $0, respectively.

Class B Preferred Units

In connection with the Orange142 acquisition (see Note 3 — Business Combination), the Company issued 7,046 non-voting Class B Preferred Units at a purchase price of $7,046,251, and a fair value of $6,455,562. Class B Preferred Units are mandatorily redeemable for $7,046,251 on September 30, 2024, with 7% preferred annual returns paid on a quarterly basis. Due to the mandatory redemption feature, ASC 480 requires that the Class B Preferred Units be classified as a liability rather than as a component of equity, with the preferred annual returns being accrued and recorded as interest expense. For the nine months ended September 30, 2021 and 2020, the Company recorded interest expense relating to the Class B Preferred Units of $368,915 and $0, respectively.

Note 7 — Related Party Transactions

Related Party Debt

Seller Notes

In conjunction with the acquisition of Huddled Masses and Colossus Media on June 21, 2018, the Company issued seller notes (“Seller Notes”), to shareholders of Huddled Masses and Colossus Media (“Former Shareholders”) for a total of $500,000. The Seller Notes bore interest of 5% and matured on June 21, 2021. The Company paid $323,715 during the nine months ended September 30, 2021 for principal and interest on the Seller Notes. Also, in conjunction with the acquisition, the Company entered into a $350,000 seller payable (“Seller Payable”) with a Former Shareholder that is due in twelve monthly installments of $29,167. The outstanding balance of the Seller Notes was $6,019 and $315,509 as of September 30, 2021 and December 31, 2020, respectively. During the nine months ended September 30, 2020, the Company entered into a settlement agreement (“Settlement Agreement”) with the Former Shareholders, and as a result, recorded a net gain of $894 comprised of Seller Note forgiveness of $184,491, Seller Payable forgiveness of $26,403, offset by a $210,000 payment to settle credit card indebtedness. Accrued and unpaid interest

was $916 and $9,792 as of September 30, 2021 and December 31, 2020, respectively. Interest expense related to the Seller Notes was $5,359 and $0 for the nine months ended September 30, 2021 and 2020, respectively.

Seller Earnouts

In conjunction with the acquisition of Huddled Masses and Colossus Media on June 21, 2018, the Company entered into an agreement to pay each of the Former Shareholders a seller earnout ("Seller Earnouts") based on gross revenue generated for each of the three years following the acquisition. The Seller Earnouts were recorded at their estimated fair value at the date of grant and adjusted annually for actual revenues generated as well as estimates of future revenues. The Seller Earnouts were paid on June 21, 2021. As a result of the Settlement Agreement, the Company recognized a gain of $21,232 and $400,783, during the nine months ended September 30, 2021 and September 30, 2020, respectively, for the termination of certain seller payouts and paid $68,729 and $18,318, respectively, to the Former Shareholders. The outstanding balance of the Seller Earnouts was $3,276 and $74,909 as of September 30, 2021 and December 31, 2020, respectively.

Related Party Transactions

Member Payable

As of September 30, 2021 and December 31, 2020, the Company had a net payable to members that totaled $69,837 and $70,801, respectively, which is included as a related party payable on the consolidated balance sheets.

Board Services and Consulting Agreement

On September 30, 2020, the Company entered into board services and consulting agreements with Walker, Smith and Leah Woolford ("Woolford"). Walker, Smith and Woolford are members of the Company. Walker serves as Manager of the Board of Holdings and Chief Executive Officer of the Company. Smith serves as Manager of the Board of Holdings and President of the Company. Woolford serves as Manager of the Board of Holdings and Senior Advisor of the Company. In exchange, the Company pays Walker and Smith annual fees of $450,000 each and employee benefits for their direct families. The Company pays Woolford $300 per hour for up to 50 hours per month and employee benefits for Woolford and her direct family. For the nine months ended September 30, 2021, total fees paid to Walker, Smith and Woolford were $328,846, $328,846, and $135,000, respectively. There were no fees paid for the nine months ended September 30, 2020.

Note 8 — Commitments and Contingencies

Operating Leases

The Company leases furniture and office space in Houston, Austin, and Colorado Springs from an unrelated party under non-cancelable operating leases dating through December 2023. Rent expense for the nine months ended September 30, 2021 and 2020 was $165,731 and $40,473, respectively.

As of September 30, 2021, future minimum payments under the operating leases were as follows for the year ending December 31:

2021	$ 36,638
2022	121,651
2023	90,138
	$248,427

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Litigation

The Company may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. In management's opinion, the outcome of any such litigation will not materially affect the Company's financial condition. Nevertheless, due to uncertainties in the settlement process, it is at least reasonably possible that management's view of the outcome could change materially in the near term.

Huddled Masses was named as a defendant in a lawsuit on July 10, 2019 related to a delinquent balance to a vendor. The matter is currently underway, and the Company has estimated a potential liability of approximately $500,000. Such liability has been recorded and included in accrued liabilities on the consolidated balance sheets as of September 30, 2021 and December 31, 2020. The Company entered into mediation discussions beginning April 2021 and expects to resolve the matter during 2021.

Note 9 — Members' Equity

The Company is authorized to issue common units, Class A Preferred Units and Class B Preferred Units. As further described in Note 3 — Business Acquisition and Note 6 — Mandatorily Redeemable Preferred Units, in connection with the acquisition of Orange142, the Company issued 5,637 common units, 3,500 Class A Preferred Units and 7,046 Class B Preferred Units. The common units were valued at $4,294,041 and Class A and Class B Preferred Units were valued at a total of $9,913,940. As of each of September 30, 2021 and December 31, 2020, the total outstanding common units were 34,182. The common units have voting rights, as well as certain redemption features at the option of the Company. In accordance with ASC 480, as of September 30, 2021 and December 31, 2020, the Company has classified the preferred units as a liability in the consolidated balance sheets.

Note 10 — Income (Loss) Per Unit

Basic income (loss) per unit is calculated by dividing the net income (loss) for the year by the weighted average number of units outstanding during the period. The Company does not have any dilutive units, and therefore the diluted weighted average number of units outstanding are equal to the basic weighted average number of units.

	For the Nine Months Ended September 30,	
	2021	2020
Net income (loss) per unit attributable to members	$ 623,701	$ (380,490)
Number of units outstanding at the beginning of the year	34,182	28,545
Weighted average units issued during the year	—	21
Number of units outstanding at the end of the year, basic and diluted	34,182	28,566
Net income (loss) per unit, basic and diluted	$ 18.25	$ (13.32)

Note 11 — Employee Benefit Plans

The Company sponsors a safe harbor, defined contribution 401(k) and profit-sharing plan (the "Plan") that allows eligible employees to contribute a percentage of their compensation. The Company matches employee contributions up to a maximum of 100% of the participant's salary deferral, limited to 4% of the employee's salary. For the nine months ended September 30, 2021 and 2020, the Company matching contributions were $122,792 and $20,659, respectively. Additionally, the Company may make a discretionary profit- sharing contribution to the Plan. During the nine months ended September 30, 2021 and 2020, no profit-sharing contributions were made.

DIRECT DIGITAL HOLDINGS, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

The Company has an Employee Benefit Plan Trust (the "Trust") to provide for the payment or reimbursement of all or a portion of covered medical, dental and prescription expenses for the employees of Orange142. The Trust is funded with contributions made by the Company and participating employees at amounts sufficient to keep the Trust on an actuarially sound basis. The self-funded plan has an integrated stop loss insurance policy for the funding of the Trust benefits in excess of the full funding requirements. As of September 30, 2021 and December 31, 2020, there were no unpaid claims for the Company's employees.

Note 12 — Segment Information

Operating segments are components of an enterprise for which separate financial information is available and is evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and assess performance. The Company's chief operating decision maker is its Chairman and Chief Executive Officer. The Company views its business as two reportable segments, buy-side advertising, which includes the results of Huddled Masses and Orange142, and sell-side advertising, which includes the results of Colossus Media. All of the Company's revenues are attributed to the United States.

Revenue by business segment is as follows:

	For the Nine Months Ended September 30,	
	2021	2020
Buy-side advertising	$ 19,975,235	$4,377,708
Sell-side advertising	5,261,135	1,498,300
Total revenues	$ 25,236,370	$5,876,008

Operating income (loss) by business segment is as follows:

	For the Nine Months Ended September 30,	
	2021	2020
Buy-side advertising	$ 4,705,408	$ 536,181
Sell-side advertising	277,293	(95,655)
Corporate office	(1,921,973)	(1,325,375)
Consolidated operating income (loss)	$ 3,060,728	$ (884,849)

Total assets by business segment are as follows:

	At September 30, 2021	At December 31, 2020
Buy-side advertising	$25,653,242	$27,622,180
Sell-side advertising	3,608,434	2,641,325
Corporate office	636,751	431,970
Total Assets	$29,898,427	$30,695,475

Note 13 — Subsequent Events

The Company has evaluated events and transactions occurring subsequent to September 30, 2021 through the date of this report and determined there were no events or transactions that would impact the consolidated financial statements for the nine months ended September 30, 2021.

ORANGE142, LLC

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

DECEMBER 31, 2019 AND 2018

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ORANGE142, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Orange142, LLC:

We have audited the accompanying financial statements of Orange142, LLC (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Company is a part of a consolidated group. These financial statements are presented on a standalone historical basis and do not include the financial position and results of operations of the consolidated group, and should be read in conjunction with the auditor's report on the consolidated financial statements of the group. Effective January 1, 2019, USDM LLC and Orange142 Advertising Canada, Inc. became wholly owned subsidiaries of Orange142, LLC via a transfer of ownership; and USDM LLC was subsequently dissolved. The prior year financial statements were not restated to reflect this. Our opinion is not modified with respect to these matters.

/s/ BAKER TILLY VIRCHOW KRAUSE, LLP

BAKER TILLY VIRCHOW KRAUSE, LLP
Plano, Texas
April 1, 2020

ORANGE142, LLC

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 614,048	$ 897,479
Accounts receivable, net	3,154,887	1,636,790
Prepaid expenses and other current assets	250,201	58,839
Total current assets	4,019,136	2,593,108
Other assets	9,618	26,483
TOTAL ASSETS	$4,028,754	$2,619,591
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 570,226	$ 165,593
Accrued liablilities	366,566	419,127
Deferred revenue	375,794	845,211
Total current liabilities	1,312,586	1,429,931
Total liabilities	1,312,586	1,429,931
MEMBERS' EQUITY	2,716,168	1,189,660
TOTAL LIABILITIES AND MEMBERS' EQUITY	$4,028,754	$2,619,591

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

ORANGE142, LLC

STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
ADVERTISING REVENUES	$14,043,423	$10,002,965
MARKETING REVENUES	2,911,636	36,441
TOTAL REVENUES	16,955,059	10,039,406
COST OF SALES	5,296,385	4,125,520
GROSS PROFIT	11,658,674	5,913,886
OPERATING EXPENSES:		
Payroll related costs	4,594,768	2,495,993
General and administrative	1,512,376	1,229,738
Total operating expenses	6,107,144	3,725,731
Income from operations	5,551,530	2,188,155
OTHER INCOME:		
Interest income	240	241
Gain on sale of property and equipment	11,200	—
Total other income	11,440	241
Income before tax provision	5,562,970	2,188,396
Provision for taxes	(51,638)	(28,872)
Net income	$ 5,511,332	$ 2,159,524
Members' equity, beginning of year	$ 1,189,660	$ 1,319,951
Equity transferred from USDM LLC	76,638	—
Distribution to parent	(4,061,462)	(2,289,815)
Net income	5,511,332	2,159,524
Members' equity, end of year	$ 2,716,168	$ 1,189,660

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

ORANGE142, LLC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,511,332	$ 2,159,524
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property and equipment	(11,200)	—
Changes in operating assets and liabilities:		
Accounts receivable	(1,518,097)	(790,602)
Prepaid expenses and other assets	(174,497)	(14,909)
Accounts payable and accrued liabilities	352,072	(18,010)
Deferred revenues	(469,417)	444,503
Related-party receivable	—	296,300
Net cash provided by operating activities	3,690,193	2,076,806
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash proceeds from sale of property and equipment	11,200	—
Net cash provided by investing activities	11,200	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to parent	(4,061,462)	(2,289,815)
Equity transferred from USDM LLC	76,638	—
Net cash used in financing activities	(3,984,824)	(2,289,815)
Net decrease in cash and cash equivalents	(283,431)	(213,009)
Cash and cash equivalents, beginning of year	897,479	1,110,488
Cash and cash equivalents, end of year	$ 614,048	$ 897,479
SUPPLEMENTAL INFORMATION:		
Cash paid for income taxes	$ 51,638	$ 28,872

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

ORANGE142, LLC

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 — NATURE OF OPERATIONS

Orange142, LLC (the "Company") was formed in the state of Delaware on March 6, 2013. Effective January 1, 2019, USDM LLC and Orange142 Advertising Canada, Inc. became wholly owned subsidiaries of the Company via a transfer of ownership; and USDM LLC was subsequently dissolved. The Company is a digital media and marketing company that delivers targeted advertising messaging using digital and traditional tactics. Its clients include private, public, and government entities. The Company is headquartered in Austin, Texas.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Policies

On January 1, 2019, the company adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers ("Topic 606"),* and all related amendments using the modified retrospective transition method. Under the modified retrospective transition method, the Company's 2018 financial statements continue to be accounted for under the FASB's Topic 605 and have not been adjusted.

ASU 2014-09 created Accounting Standards Codification Topic 340-40, Contracts with Customers, which requires that costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are to be expensed when incurred. No such costs require capitalization with the adoption of Topic 606 at December 31, 2019.

Other than the aforementioned application of Topic 340-40, the adoption of Topic 606 did not have a significant impact on the Company's financial position or results of operations. There were no adjustments made to the Company's 2019 financial statements as a result of the adoption of Topic 606.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02 "Leases" "ASC 842" under which lessees will recognize most leases on the balance sheet. The effective dates were for fiscal years beginning after December 15, 2019. On August 15, 2019, the FASB proposed a one-year delay and the effective date for non-public business entities was deferred until fiscal years beginning after December 15, 2020. The Company is evaluating the effect of adopting ASU 2016-02.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include management's assessment of the allowance for doubtful accounts. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits with federally insured financial institutions that may at times exceed federally insured limits. The Company has not incurred any losses from such accounts, and management considers the risk to be minimal.

Accounts Receivable

Accounts receivable primarily consist of billings for products and services rendered to customers under normal trade terms. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company carries its accounts receivable at net realizable value. During 2016, the Company began insuring its accounts receivable with an unrelated third-party insurance company in an effort to mitigate any future write-offs and thereby eliminating the need for an allowance for doubtful accounts. Management periodically reviews outstanding accounts receivable for reasonableness. After all attempts to collect have failed, the Company processes a claim with the third-party insurance company to recover uncollected balances, rather than writing the balances off to bad debt expense. The guaranteed recovery for the claim is 90% of the original balance.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which extend the useful lives of the existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in the statement of operations.

Impairment of Long-Lived Assets

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable, at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. There was no impairment loss for the years ended December 31, 2019 and 2018.

Fair Value of Financial Instruments

In accordance with the reporting requirements of ASC 825-10-50, *"Disclosures about Fair Value of Financial Instruments",* the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this statement and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated value of accounts receivable are based on management's assessment of net realizable value. The estimated fair value of accounts payable approximates their carrying amounts due to the short maturity of these liabilities.

Revenue Recognition

Prior to January 1, 2019

The Company provides complete turn-key digital advertising and strategy services with the focus on generating measurable digital and financial lift for its customers.

The advertising campaigns are billed and revenue recognized at intervals throughout the life of the advertising campaign. In an effort to reduce the risk of nonpayment, the Company has AR insurance in place, or sometimes clients pay for advertising campaigns prior to the campaign launch. Customer billings on advertising campaigns in the development process at December 31, 2019 and 2018 were included in deferred revenue.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

January 1, 2019 and After

The Company's revenues are comprised of digital and print advertising campaigns. All revenue is recognized when the Company satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to its customer when its customer obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. The nature of the Company's contracts do not give rise to any notable amounts of variable consideration with the customers. Neither the type of product or service sold or the location of sale significantly impacts nature, amount, timing or uncertainty of revenue and cash flows.

Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

A contract's transaction price is allocated to each distinct performance obligation within the contract. Substantially all of the Company's contracts have a single performance obligation. In instances where multiple performance obligations may exist, due to the short duration of the arrangements or the insignificance of certain performance obligations, in substantially all cases it is not necessary to allocate the transaction price to the distinct performance obligations as the allocation would not result in a different accounting outcome.

Payments for advertising campaigns are typically received in advance of the service period, recorded as deferred revenue and revenue recognized over time of the period of the campaign.

The Company does not have any contract assets as of December 31, 2019. The Company has elected to expense all contract costs as incurred. At December 31, 2019, the Company did not record any contract liabilities.

Deferred revenue as of December 31, 2019 and 2018 was $375,794 and $845,211, respectively.

Income Taxes

The Company is organized as a limited liability company. The financial statements of the Company for the years ended December 31, 2019 and 2018 contain no federal income tax provision as taxable income is included in the personal tax returns of the members. The Company is subject to state income tax and has made a provision for them based on the estimated taxes due. For the years ended December 31, 2019 and 2018, the provision for taxes was $51,638 and $28,872, respectively.

The Company applies ASC 740-10, "Income Taxes", in establishing standards for accounting for uncertain tax positions. The Company evaluates uncertain tax positions with the presumption of audit detection and applies a "more likely than not" standard to evaluate the recognition of tax benefits or provisions. ASC 740-10 applies a two-step process to determine whether any amount may be recognized and then determines how much of a tax benefit or provision should be recognized. As of December 31, 2019 and 2018, the Company has no uncertain tax positions.

Concentrations

As of December 31, 2019, one customer accounted for approximately 52% of total accounts receivable. As of December 31, 2018, three customers accounted for approximately 40% of total accounts receivable. During the year ended December 31, 2019, four customers accounted for 53% of total sales. During the year ended December 31, 2018, four customers accounted for approximately 57% of total sales. Management

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

continuously evaluates the credit worthiness of its customers' financial condition and has policies to minimize potential risk. As of December 31, 2019, two vendors accounted for approximately 92% of total accounts payable. As of December 31, 2018, two vendors accounted for approximately 73% of total accounts payable.

NOTE 3 — ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31, 2019 and 2018:

	2019	2018
Bonus payable	$ 59,013	$ 90,576
Other payable media	—	241,222
Other accrued expenses	21,035	39,913
Customer deposits	113,799	—
Commissions Payable	172,719	47,416
	$366,566	$419,127

NOTE 4 — RELATED PARTY TRANSACTIONS

The Company has an informal agreement with USDM, LLC ("USDM"), which shares common ownership with the Company, whereby each entity can sell the other's services. In exchange for selling these services, the related entity receives a 15% commission on select services. The commission is reviewed on an annual basis in January to ensure it properly reflects the work effort and current market conditions. For the year ended December 31, 2018, USDM paid total commission to the Company of $1,393,025. The commissions are included in marketing revenues in the statements of operations and changes in members' equity. Effective January 1, 2019, this related party transaction no longer existed when USDM LLC merged into Orange142, LLC and subsequently dissolved.

NOTE 5 — LINE OF CREDIT

In July 2017, the Company obtained a cash-backed line of credit from a financial institution in the amount of $300,000. The line of credit is guaranteed by the Company. The line of credit bears interest at the prime rate plus 0.75% and expires on August 13, 2117. As of December 31, 2019 and 2018, the line of credit had not been used.

NOTE 6 — EMPLOYEE RETIREMENT PLANS

The Company sponsors a safe harbor, defined contribution 401(k) and profit sharing plan that allows employees to contribute a percentage of their compensation. The Company matches employee contributions up to a maximum of 100% of the participant's salary deferral, limited to 4% of the employee's salary. For the years ended December 31, 2019 and 2018, the Company's matching contributions were $79,924 and $44,398, respectively. Additionally, the Company may make a discretionary profit sharing contribution to the Plan. During the years ended December 31, 2019 and 2018, no profit sharing contribution was made.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office and equipment under noncancelable operating lease agreements expiring on various dates through December 2021.

NOTE 7 — COMMITMENTS AND CONTINGENCIES (continued)

At December 31, 2019, future minimum lease payments under noncancelable operating leases were as follows:

For the years ending December 31,	
2020	$ 78,000
2021	80,400
Total	$158,400

Rent expense relating to the office lease and other operating agreements was $142,373 and $111,221 for the years ended December 31, 2019 and 2018, respectively.

Litigation

The Company is subject to legal proceedings, claims, and litigation arising from the normal course of business. Although occasional adverse decisions or settlements may occur, management believes that the ultimate outcome of any such matters will not have a material adverse impact on the company's financial position at December 31, 2019 and 2018.

NOTE 8 — SUBSEQUENT EVENTS

In accordance with ASC 855, *"Subsequent Events",* the Company has evaluated events and transactions occurring subsequent to December 31, 2019, the balance sheet date, through April 1, 2020, the date the financial statements were available to be issued, and determined there were no events or transactions that would impact the financial statements for the year ended December 31, 2019, other than the following:

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Company's evaluation of the effects of these events is ongoing as of the date the accompanying financial statements were available to be issued. COVID-19 may impact various parts of the Company's 2020 operations and financial performance including but not limited to potential shortages of personnel, closure of certain facilities or service lines, or declines in revenue related to decreases in volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

Orange142, LLC

Financial Statements
(unaudited)

September 30, 2020 and 2019

ORANGE142, LLC

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ORANGE142, LLC

BALANCE SHEETS

SEPTEMBER 30, 2020 and DECEMBER 31, 2019

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,014,151	$ 614,048
Accounts receivable, net	4,590,945	3,154,887
Prepaid expenses and other current assets	148,717	250,201
Total current assets	5,753,813	4,019,136
Other long-term assets	9,618	9,618
Total assets	$ 5,763,431	$ 4,028,754
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 683,521	$ 570,226
Accrued liabilities	244,165	366,566
Deferred revenues	757,314	375,794
Total current liabilities	1,685,000	1,312,586
MEMBERS' EQUITY	4,078,431	2,716,168
Total liabilities and members' equity	$ 5,763,431	$ 4,028,754

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

ORANGE142, LLC

STATEMENTS OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenues		
Advertising revenues	$ 14,887,635	$ 9,443,989
Marketing revenues	3,050,446	2,161,962
Total revenues	17,938,081	11,605,951
Cost of revenues	5,267,463	3,750,595
Gross profit	12,670,618	7,855,356
Operating expenses		
Compensation, taxes and benefits	4,038,610	3,028,255
General and administrative	757,540	1,128,554
Total operating expenses	4,796,150	4,156,809
Income from operations	7,874,468	3,698,547
Other income	11,900	11,380
Total other income	11,900	11,380
Tax expense	(48,971)	—
Net income	$ 7,837,397	$ 3,709,927

See accompanying notes to the consolidated financial statements.

ORANGE142, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Common Units		Accumulated equity	Members' equity
	Shares	Amount		
Balance, December 31, 2018 (audited)	1,000	$10	$ 1,189,648	$ 1,189,658
Equity transfer from USDM LLC			76,638	76,638
Distribution to members			(3,235,600)	(3,235,600)
Net income			3,709,927	3,709,927
Balance, September 30, 2019 (unaudited)	1,000	$10	$ 1,740,613	$ 1,740,623

ORANGE142, LLC

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Common Units		Accumulated equity	Members' equity
	Shares	Amount		
Balance, December 31, 2018 (audited)	1,000	$10	$ 1,189,648	$ 1,189,658
Equity transfer from USDM LLC			76,638	76,638
Distribution to members			(4,061,462)	(4,061,462)
Net income			5,511,332	5,511,332
Balance, December 31, 2019 (audited)	1,000	10	2,716,156	2,716,166
Distribution to members			(6,475,132)	(6,475,132)
Net income			7,837,397	7,837,397
Balance, September 30, 2020 (unaudited)	1,000	$10	$ 4,078,421	$ 4,078,431

See accompanying notes to the consolidated financial statements.

ORANGE142, LLC

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(Unaudited)

	September 30, 2020	September 30, 2019
Cash Flows From Operating Activities:		
Net income	$ 7,837,397	$ 3,709,927
Adjustments to reconcile net loss to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(1,436,059)	(758,546)
Prepaid expenses and other current assets	101,484	(212,319)
Other long-term assets	—	16,865
Accounts payable	113,293	257,304
Accrued liabilities	(122,400)	111,090
Deferred revenues	381,520	232,803
Net cash provided by operating activities	6,875,235	3,357,124
Cash Flows (Used In) Provided By Financing Activities:		
Distributions to members	(6,475,132)	(3,235,600)
Equity transferred from USDM LLC	—	76,638
Net cash used in financing activities	(6,475,132)	(3,158,962)
Net increase in cash and cash equivalents	400,103	198,162
Cash and cash equivalents, beginning of the period	614,048	897,479
Cash and cash equivalents, end of the period	$ 1,014,151	$ 1,095,641

See accompanying notes to the consolidated financial statements.

ORANGE142, LLC

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019
(Unaudited)

NOTE 1 — ORGANIZATION

Orange142, LLC (the "Company") was formed in the state of Delaware on March 6, 2013. Effective January 1, 2019, USDM LLC and Orange142 Advertising Canada, Inc. became wholly owned subsidiaries of the Company via a transfer of ownership; and USDM LLC was subsequently dissolved. The Company is a digital media and marketing company that delivers targeted advertising messaging using digital and traditional tactics. Its clients include private, public, and government entities. The Company is headquartered in Austin, Texas.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of Orange142, LLC and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include management's assessment of the allowance for doubtful accounts. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits with federally insured financial institutions that may at times exceed federally insured limits. The Company has not incurred any losses from such accounts, and management considers the risk to be minimal.

Accounts receivable

Accounts receivable primarily consist of billings for products and services rendered to customers under normal trade terms. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral.

The Company carries its accounts receivable at net realizable value. During 2016, the Company began insuring its accounts receivable with an unrelated third-party insurance company in an effort to mitigate any future write-offs and thereby eliminating the need for an allowance for doubtful accounts. Management periodically reviews outstanding accounts receivable for reasonableness. After all attempts to collect have failed, the Company processes a claim with the third-party insurance company to recover uncollected balances, rather than writing the balances off to bad debt expense. The guaranteed recovery for the claim in 90% of the original balance.

Property and equipment

Property and equipment is stated at cost, less accumulated depreciation. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which extend the useful lives of the existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are

removed from the accounts and any gain or loss is recognized in the statement of operations. As of September 30, 2020 and December 31, 2019, the Company had fully depreciated all property and equipment.

Impairment of long-lived assets

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable, at least annually. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. There was no impairment loss for the nine months ended September 30, 2020 and 2019.

Fair value of financial instruments

In accordance with the reporting requirements of ASC 825-10-50,*Disclosures about Fair Value of Financial Instruments*, the Company calculates the fair value of its assets and liabilities which qualify as financial instruments under this statement and includes this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated values of accounts receivable are based on management's assessment of net realizable value. The estimated fair values of accounts payable approximate their carrying amounts due to the short maturity of these liabilities.

Revenue recognition

The Company's revenues are comprised of digital and print advertising campaigns. All revenue is recognized when the Company satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product to its customer when its customer obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. The nature of the Company's contracts do not give rise to any notable amounts of variable consideration with the customers. Neither the type of product or service sold or the location of sale significantly impacts the nature, amount, timing or uncertainty of revenue and cash flows.

Sales, value add, and other taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

A contract's transaction price is allocated to each distinct performance obligation within the contracts. Substantially all of the Company's contracts have a single performance obligation. In instances where multiple performance obligations may exist, due to the short duration of the arrangements or the insignificance of certain performance obligations, in substantially all cases it is not necessary to allocate the transaction price to the distinct performance obligations as the allocation would not result in a different accounting outcome.

Payments for advertising campaigns are typically received in advance of the service period, recorded as deferred revenue and revenue is recognized over the time of the period of the campaign. Deferred revenue as of September 30, 2020 and December 31, 2019 was $757,314 and $375,794, respectively.

Income taxes

The Company is organized as a limited liability company. The financial statements of the Company for the nine months ended September 30, 2020 and 2019 contain no federal income tax provision as taxable

income is included in the personal tax returns of the members. The Company is subject to state income tax and has made provision for them based on the estimated taxes due. For the nine months ended September 30, 2020 and 2019, the provision for taxes was $48,971 and $0, respectively.

The Company applies ASC 740-10, *Income Taxes*, in establishing standards for accounting for uncertain tax positions. The Company evaluates uncertain tax positions with the presumption of audit detection and applies a "more likely than not" standard to evaluate the recognition of tax benefits or provisions. ASC 740-10 applies a two-step process to determine whether any amount may be recognized and then determines how much of a tax benefit or provision should be recognized. As of September 30, 2020 and December 31, 2019, the Company has no uncertain tax positions. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Company's conclusions regarding uncertain tax positions may be subject to review and adjustments at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU 2016-02,*Leases (Topic 842).* Under the new guidance, lessees will be required to put most leases on their balance sheets but to recognize expenses in the income statement in a manner similar to current accounting. The guidance also eliminated the current real estate-specific provisions and changed the guidance on sale-leaseback transactions, initial direct costs, and lease executory costs for all entities. The updated guidance will be effective for the Company beginning January 1, 2022, with early adoption permitted. Upon adoption, entities will be required to use the modified retrospective approach for leases that exist, or are entered into, after the beginning of the earliest comparative period in the financial statements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842)*, Targeted Improvements", which allows entities to not apply the new leases standard, including its disclosure requirements, in the comparative periods they present in their financial statements in the year of adoption. The Company is currently evaluating the potential effect that adopting this guidance will have on its consolidated financial statements.

NOTE 3 — ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Accrued commissions	$ 136,525	$ 172,719
Other accrued expenses	99,835	21,035
Accrued bonus	6,185	59,013
Customer deposits	1,620	113,799
Total accrued liabilities	$ 244,165	$ 366,566

NOTE 4 — EMPLOYEE RETIREMENT PLANS

The Company sponsors a safe harbor, defined contribution 401(k) and profit-sharing plan (the "Plan") that allows employees to contribute a percentage of their compensation. The Company matches employee contributions up to a maximum of 100% of the participant's salary deferral, limited to 4% of the employee's salary. For the nine months ended September 30, 2020 and 2019, the Company's matching contributions were $74,886 and $59,139, respectively. Additionally, the Company may make a discretionary profit-sharing contribution to the Plan. During the nine months ended September 30, 2020 and 2019, no profit-sharing contributions were made.

ORANGE142, LLC

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019
(Unaudited)

NOTE 5 — SUBSEQUENT EVENTS

Effective September 30, 2020, Direct Digital Holdings, LLC ("Holdings") acquired 100% of the equity interests of the Company for a purchase price of $26,207,981. The acquisition was funded by issuance of Holdings' member common units, mandatorily redeemable preferred units, a facility term note, and a revolving credit facility by Holdings. The acquisition was accounted for using the acquisition method of accounting and, accordingly, the results of operations of the Company were consolidated into Holdings beginning October 1, 2020.

Shares

Class A Common Stock

Prospectus

Joint Book-Running Managers

Stephens Inc.

The Benchmark Company

, 2021

Part II — INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the SEC registration fee, the Nasdaq Capital Market listing fee and the FINRA filing fee.

	Amount
SEC registration fee	$3,708
Nasdaq listing fee	*
FINRA filing fee	6,500
Accountants' fees and expenses	*
Legal fees and expenses	*
Transfer Agent's fees and expenses	*
Printing expenses	*
Underwriters reimbursable expenses	*
Miscellaneous	*
	*
Total expenses	$ *

* to be completed by amendment.

Item 14. Indemnification of Directors and Officers.

Section 145(a) of the DGCL provides, in general, that a Delaware corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) because that person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, so long as the person acted in good faith and in a manner he or she reasonably believed was in or not opposed to the corporation's best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Section 145(b) of the DGCL provides, in general, that a Delaware corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action or suit by or in the right of the corporation to obtain a judgment in its favor because the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action, so long as the person acted in good faith and in a manner the person reasonably believed was in or not opposed to the corporation's best interests, except that no indemnification shall be permitted without judicial approval if a court has determined that the person is to be liable to the corporation with respect to such claim. Section 145(c) of the DGCL provides that, if a present or former director or officer has been successful in defense of any action referred to in Sections 145(a) and (b) of the DGCL, the corporation must indemnify such officer or director against the expenses (including attorneys' fees) he or she actually and reasonably incurred in connection with such action.

Section 145(g) of the DGCL provides, in general, that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another

corporation or other enterprise against any liability asserted against and incurred by such person, in any such capacity, or arising out of his or her status as such, whether or not the corporation could indemnify the person against such liability under Section 145 of the DGCL.

Our certificate of incorporation, and our bylaws will provide for the indemnification of our directors and officers to the fullest extent permitted under the DGCL.

We also maintain a directors' and officers' insurance policy pursuant to which our directors and officers are insured against liability for actions taken in their capacities as directors and officers.

We have entered into an underwriting agreement in connection with this offering, which provides for indemnification by the underwriter of us, our officers and directors, for certain liabilities, including liabilities arising under the Securities Act.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is information regarding all securities sold by us within the last three years which were not registered under the Securities Act.

HMC Operations, LLC, a former subsidiary of the Company, issued a number of promissory notes in connection with the Company's acquisition of Huddled Masses. The promissory notes were issued on June 21, 2018 in the aggregate principal amount of approximately $250,000 at an interest rate of 5% with a maturity date of June 21, 2021. The promissory notes were issued to various individuals and entities.

HMC Operations, LLC, a former subsidiary of the Company, issued a promissory note in conjunction with the acquisition of Colossus Media, LLC. The promissory note was issued on June 21, 2018 in the amount of $250,000 at an interest rate of 5% per year with a maturity date of June 21, 2021. The promissory note was issued to Cantu Holdings, LLC as agent and representative for itself, Hoyne LLC, and other membership interest holders of Colossus Media, LLC.

The Company issued 3,500 units of its Class A preferred equity securities, 7,046 units of its Class B preferred equity securities and 5,637 units of common equity securities in connection with the acquisition of Orange142, LLC. The Class A preferred units had a value of $3,500,000 and were issued on September 30, 2020 with an annual dividend rate of 10% and a mandatory redemption on September 30, 2022. The Class B preferred units had a value of $7,046,251 and were issued on September 30, 2020 with an annual dividend rate of 7% with a mandatory redemption on September 30, 2024. The Common Units had a value of $5,636,563 and were issued on September 30, 2020 and have a mandatory call feature to be exercised by the issuer prior to September 30, 2025. The Class A preferred units, the Class B preferred units and the Common Units were all issued to USDM Holdings, Inc.

No underwriters or placement agents were used in connection with any of the foregoing transactions. These issuances were made in reliance on an exemption from registration set forth in Section 4(a)(2) of the Securities Act, as transactions by an issuer not involving a public offering. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to offer or sell, in connection with any distribution of the securities.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits. The list of exhibits is set forth below and is incorporated by reference herein.

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of Direct Digital Holdings, Inc., as currently in effect.
3.2	Bylaws of Direct Digital Holdings, Inc., as currently in effect.
3.3*	Form of Amended and Restated Certificate of Incorporation of Direct Digital Holdings, Inc., as in effect upon the consummation of this offering.
3.4*	Form of Bylaws of Direct Digital Holdings, Inc., as in effect upon the consummation of this offering.
4.1*	Form of Common Stock Certificate.
5.1*	Opinion of McGuireWoods LLP.
10.1*	Form of Amended and Restated Limited Liability Company Agreement of Direct Digital Holdings, LLC.
10.2*	Form of Tax Receivable Agreement, to be effective upon the closing of this offering.
10.3*	Form of Registration Rights Agreement, to be effective upon the closing of this offering.
10.4	Credit Agreement, dated as of September 30, 2020, by and among Direct Digital Holdings, LLC, Colossus Media, LLC, Huddled Masses LLC, Orange142, LLC, Universal Standards for Digital Marketing, LLC, and East West Bank.
10.5	Revolving Credit Note, dated as of September 30, 2020, by and among Direct Digital Holdings, LLC, Colossus Media, LLC, Huddled Masses, LLC, Orange142, LLC, and Universal Standards for Digital Marketing, LLC, collectively Borrower, and East West Bank as Lender.
10.6	Preferred Equity Subordination Agreement, entered into as of September 30, 2020, among East West Bank, USDM Holdings, Inc., and Direct Digital Holdings, LLC.
10.7	Secured Term Promissory Note, with a closing date of September 30, 2020, Direct Digital Holding LLC, Huddled Masses LLC, Colossus Media, LLC, Orange142, LLC and Universal Standards for Digital Marketing, LLC (collectively, the Borrower), jointly and severally promise to pay Silverpeak Credit Opportunities AIV LP (the Lender).
10.8	Loan and Security Agreement, dated as of September 30, 2020, by and among Direct Digital Holdings, LLC and the other Borrower Entities identified therein, as Borrower, the Several Financial Institutions or Entities from time to time parties thereto, as Lenders and Silverpeak Credit Partners, LP as Agent.
10.9+	Board Services and Consulting Agreement, made as of September 30, 2020, by and between Direct Digital Holdings, LLC and USDM Holdings, Inc.
10.10+	Board Services and Consulting Agreement, made as of September 30, 2020, by and between Direct Digital Holdings, LLC and Mark Walker.
10.11+	Board Services and Consulting Agreement, made as of September 30, 2020, by and between Direct Digital Holdings, LLC and Keith W. Smith.
10.12+	Executive Employment Agreement, entered into as of March 3, 2021 by and between Direct Digital Holdings, LLC and Anu Pillai.
10.13+*	Direct Digital Holdings, LLC 2021 Omnibus Incentive Plan.
21.1*	List of Subsidiaries.
23.1	Consent of Marcum, LLP as to Direct Digital Holdings, Inc.
23.2	Consent of Marcum, LLP as to Direct Digital Holdings, LLC (included in Exhibit 23.1).
23.3	Consent of Baker Tilly US, LLP, as to Orange142, LLC.
23.4*	Consent of McGuireWoods LLP (included in Exhibit 5.1).
24.1	Power of Attorney (included in signature page to this registration statement).

* To be filed by amendment.

\+ Indicates management contract or compensatory plan.

(b) Financial Statement Schedules. Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on this 12th day of November, 2021.

DIRECT DIGITAL HOLDINGS, INC.

By: /s/ Mark D. Walker

Mark D. Walker, Chairman and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Mark Walker and Keith Smith, and each of them, his or her true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he or she might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his or her substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities held on the dates indicated.

Signature	Title	Date
/s/ Mark D. Walker Mark D. Walker	Chairman, Chief Executive Officer, and Director (Principal Executive Officer)	November 12, 2021
/s/ Susan Echard Susan Echard	Chief Financial Officer (Principal Financial Officer)	November 12, 2021
/s/ Keith Smith Keith Smith	President and Director	November 12, 2021

Exhibit 3.1

CERTIFICATE OF INCORPORATION
DIRECT DIGITAL HOLDINGS, INC.

1. The name of the corporation is Direct Digital Holdings, Inc. (the "***Corporation***").

2. The address of the registered office of the Corporation in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The name of the registered agent of the Corporation in the State of Delaware at such address is The Corporation Trust Company.

3. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of capital stock which the Corporation shall have authority to issue is 1,000 shares of Common Stock with no par value.

5. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to make, alter and repeal the bylaws of the Corporation, subject to the power of the stockholders of the Corporation to alter or repeal any bylaw whether adopted by them or otherwise.

6. No director of this Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach or breaches of fiduciary duties as a director, provided that the provisions of this article shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction for which the director derived an improper personal benefit. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protections of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

7. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute and this Certificate of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

8. Election of directors need not be by written ballot except and to the extent provided in the bylaws of the Corporation.

9. The name of the incorporator is Mark Walker at 1233 West Loop, Suite 1170 Houston, TX 77027.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Incorporation as of the 22ND day of August, 2021.

By: /s/ Mark D. Walker
Mark Walker, Incorporator

BYLAWS
OF
DIRECT DIGITAL HOLDINGS, INC.
(the "Corporation")

ARTICLE 1
STOCKHOLDERS

Section 1.1 Annual Meetings. An annual meeting of the stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2 Special Meetings. Special meetings of stockholders for any purpose or purposes may be called at any time by the President or the Board of Directors. Such special meetings shall be held at such date, time and place either within or without the State of Delaware as may be stated in the notice of the meeting.

Section 1.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at the stockholder's address as it appears on the records of the Corporation.

Section 1.4 Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days or, if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5 Quorum. At each meeting of stockholders, except where otherwise provided by law or these Bylaws, the presence in person or by proxy of the holders of a majority of the outstanding shares of stock entitled to vote at the meeting shall constitute a quorum. For purposes of the foregoing, two or more classes or series of stock shall be considered a single class if the holders thereof are entitled to vote together as a single class at the meeting. In the absence of a quorum, the stockholders so present may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 1.4 of these Bylaws until a quorum shall attend. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including, but not limited to, its own stock, held by it in a fiduciary capacity.

Section 1.6 Organization. Meetings of stockholders shall be presided over by the President, or in the absence of the President by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation, by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in the absence of the Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7 Conduct of Meetings. The Board of Directors may adopt by resolution such rules and procedures for the conduct of meetings of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and procedures as adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures as the chairman shall determine for the proper conduct of the meeting.

Section 1.8 Voting; Proxies.

(a) Unless otherwise provided in the Certificate of Incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by the stockholder which has voting power upon the matter in question.

(b) Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for the stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(c) A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

(d) Voting at meetings of stockholders need not be by written ballot and need not be conducted by inspectors unless the holders of a majority of the outstanding shares of all classes of stock entitled to vote thereon present in person or by proxy at such meeting shall so determine.

(e) At all meetings of stockholders for the election of directors, a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law or these Bylaws, be decided by the vote of the holders of a majority of the outstanding shares of stock entitled to vote thereon present in person or by proxy at the meeting, provided that (except as otherwise required by law) the Board of Directors may require a larger vote upon any election or question.

Section 1.9 Fixing Date for Determination of Stockholders of Record.

(a) Notice and Voting Rights. In order that the Corporation may determine which are stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of

stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) Consents. In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, the Certificate of Incorporation or these Bylaws, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office, principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the Certificate of Incorporation or these Bylaws, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) Other Lawful Action. In order that the Corporation may determine which stockholders are entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 1.10 List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 1.11 Consent of Stockholders in Lieu of Meeting. Any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. The consent or consents shall be delivered to the Corporation by delivery to its registered office, principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by law, to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the corporation in the manner indicated above. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE 2
BOARD OF DIRECTORS

Section 2.1 Functions and Compensation. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation. The Board of Directors shall have the authority to fix the compensation of the members thereof.

Section 2.2 Number. The Board of Directors shall consist of at least one (1) but no more than eleven (11) directors, the number thereof to be determined from time to time by resolution of the Board. Directors need not be stockholders. Each Director shall hold office until a successor is duly elected and qualified or until the Director's earlier death, resignation, disqualification or removal.

Section 2.3 Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 2.4 Special Meetings. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the President, any Vice President, the Secretary or by any two members of the Board of Directors.

Section 2.5 Notice of Special Meetings. Notice of the time and place of special meetings shall be given to each director in writing or orally, in person or by telephone. In case such notice is mailed, it shall be deposited in the United States mail, addressed to the director at the director's address shown on the records of the Corporation, postage prepaid, at least five business days prior to the time of the meeting. In case such notice is sent by facsimile machine, it shall be telecopied to the director at the director's telecopy number shown on the records of the Corporation at least 24 hours prior to the meeting. In case such notice is sent by e-mail, it shall be sent to the director at the director's e-mail address shown on the records of the Corporation at least 24 hours prior to the time of the meeting. In case such notice is given orally, it shall be given to the director at least 24 hours prior to the time of the meeting.

Section 2.6 Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 2.6 shall constitute presence in person at such meeting.

Section 2.7 Quorum; Vote Required for Action. At all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the Certificate of Incorporation or these Bylaws otherwise provide, the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8 Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in the absence of the Chairman by the Vice Chairman of the Board, if any, or in the absence of a Vice Chairman by the President, or in the absence of the President by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in the absence of the Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9 Action by Directors Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or

permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or electronic transmissions are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

ARTICLE 3
COMMITTEES

Section 3.1 Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the General Corporation Law of Delaware to be submitted to the stockholders for approval, or (b) adopting, amending or repealing any bylaw of the Corporation.

Section 3.2 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article 2 of these Bylaws.

ARTICLE 4
OFFICERS

Section 4.1 Executive Officers; Election; Qualifications. As soon as practicable after the annual meeting of stockholders in each year the Board of Directors shall elect a President and Secretary, and it may, if it so determines, elect a Chairman of the Board and a Vice Chairman of the Board from among its members. The Board of Directors may also elect one or more Vice Presidents, one or more Assistant Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and may give any of them such further designations or alternate titles as it considers desirable. Any number of offices may be held by the same person.

Section 4.2 Term of Office; Resignation; Removal; Vacancies. Except as otherwise provided in the resolution of the Board of Directors electing any officer, each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding the officer's election, and until the officer's successor is elected and qualified or until the officer's earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.3 Powers and Duties of Executive Officers. The officers of the Corporation shall have such powers and duties in the management of the Corporation as may be prescribed by the Board of Directors and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Secretary shall have the duty to record the proceedings of the meetings of the stockholders, the Board of Directors and any committees in a book to be kept for that purpose. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his duties.

Section 4.4 Compensation. The Board of Directors shall fix the compensation of the Chairman of the Board and of the President and shall fix, or authorize the Chairman of the Board or the President to fix, the compensation of any or all others. The Board of Directors may allow compensation to members of any committee and may vote compensation to any director for attendance at meetings or for any special services.

ARTICLE 5
STOCK

Section 5.1 Certificates. Every holder of stock shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman or Vice Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the Corporation, certifying the number of shares owned by the holder in the Corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 5.2 Notice on Certificates. Each certificate evidencing shares of stock of the Corporation shall include a clear and conspicuous notice of the restrictions and limitations on the transfer of the shares evidenced by such certificate, in form and substance similar to the following:

THE CORPORATION IS AUTHORIZED TO ISSUE MORE THAN ONE CLASS OF STOCK. THE CORPORATION WILL FURNISH WITHOUT CHARGE TO EACH STOCKHOLDER WHO SO REQUESTS THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OR SERIES THEREOF AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

SHARES REPRESENTED HEREBY (THE "SHARES") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR APPLICABLE STATE SECURITIES LAWS. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE REOFFERED, SOLD, TRANSFERRED, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SHARES UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR A PRIOR OPINION OF COUNSEL, SATISFACTORY TO THE

COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS.

Section 5.3 Transfer of Stock. Upon surrender to the Corporation or the transfer agent for the Corporation of a certificate for shares endorsed or accompanied by a written assignment signed by the holder of record or by such holder's duly authorized attorney-in-fact, it shall be the duty of the Corporation, or its duly appointed transfer agent, to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5.4 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE 6
INDEMNIFICATION

Section 6.1 Definitions. For purposes of this Article, the following definitions shall apply:

(a) "the Corporation" includes, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued;

(b) "other enterprises" includes employee benefit plans and nonprofit enterprises;

(c) "fines" includes any excise taxes assessed on a person with respect to any employee benefit plan;

(d) "serving at the request of the Corporation" includes any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article.

Section 6.2 Indemnification in Actions, Suits or Proceedings Other than Those by or in the Right of the Corporation. Subject to Section 6.4 of this Article, the Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person who was or is a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amount paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner that such person reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 6.3 Indemnification in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 6.4 of this Article, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was a director or officer serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 6.4 Authorization of Indemnification. Any indemnification under Section 6.2 or Section 6.3 this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 6.2 and Section 6.3 of this Article, as the case may be. Such determination shall be made (a) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders. To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 6.5 Advancement of Expenses. Expenses (including attorneys' fees) incurred by an officer, director, employee or agent in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding by the Corporation upon receipt of (a) a written request by or on behalf of the director, officer, employee or agent including such evidence of the incurrence of expenses as the Corporation may reasonably request, and (b) a written undertaking by or on behalf of such director, officer, employee or agent to repay all such amounts if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Bylaws.

Section 6.6 Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

Section 6.7 Insurance. The Corporation shall, if and to the extent and in such amounts and on such terms as authorized by the Board of Directors, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was a director, officer, employee or agent serving at the request of the Corporation as a director, officer, employee or agent on another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify or the obligation to indemnify such person against such liability under this Article.

Section 6.8 Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 6.9 Limitation on Indemnification. Notwithstanding anything contained in this Article to the contrary, the Corporation shall not be obligated to indemnify any director, officer, employee or agent in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

Section 7.2 Seal. The Corporation may, but need not, have a corporate seal that may be altered at pleasure, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

Section 7.3 Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless required by the Certificate of Incorporation, neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.4 Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof that authorizes the contract or transaction, or solely because the votes of such persons are counted for such purpose, if: (a) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorized the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (b) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

Section 7.5 Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The Corporation shall convert any records so kept upon the request of any person entitled to inspect the same.

Section 7.6 Amendment of Bylaws. Subject to the limitations set forth in the Certificate of Incorporation, these Bylaws may be altered or repealed, and new bylaws made, by the Board of Directors, but the stockholders may make additional bylaws and may alter and repeal any bylaws whether adopted by them or otherwise.

Exhibit 10.4

CREDIT AGREEMENT

by and among

DIRECT DIGITAL HOLDINGS, LLC

COLOSSUS MEDIA, LLC

HUDDLED MASSES LLC

ORANGE142, LLC

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

and

EAST WEST BANK

Dated as of September 30, 2020

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SCHEDULES

EXHIBITS

CREDIT AGREEMENT

THIS CREDIT AGREEMENT (this "***Agreement***"), dated as of September 30, 2020 is by and among Direct Digital Holdings, LLC, a Texas limited liability company ("***Direct Digital***"), Colossus Media, LLC, a Delaware limited liability company ("***Colossus***"), Huddled Masses LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***") and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with Direct Digital, Colossus, HM, and Orange, "***Borrowers***" and each individually a "***Borrower***"), and East West Bank, a California state bank ("***Lender***").

RECITALS:

Borrowers have requested that Lender extend credit to Borrowers as described in this Agreement. Lender is willing to make such credit available to Borrowers upon and subject to the provisions, terms and conditions hereinafter set forth.

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

ARTICLE I.
DEFINITIONS

1.01 **Definitions**. As used in this Agreement, all exhibits, appendices and schedules hereto and in any note, certificate, report or other Loan Documents made or delivered pursuant to this Agreement, the following terms will have the meanings given such terms in this ***Article I*** or in the provision, section or recital referred to below:

"***Acquisition***" means the acquisition by any Person of (a) a majority of the Equity Interests of another Person, (b) all or substantially all of the assets of another Person or (c) all or substantially all of a business unit or line of business of another Person, in each case (i) whether or not involving a merger or consolidation with such other Person and (ii) whether in one transaction or a series of related transactions.

"***Advance***" means an advance by Lender to Borrowers pursuant to ***Article II***.

"***Advance Request Form***" means a certificate, in a form approved by Lender, properly completed and signed by Borrowers requesting a Revolving Credit Advance.

"***Affiliate***" means, as to any Person, any other Person (a) that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; (b) that directly or indirectly beneficially owns or holds five percent (5%) or more of any class of voting stock of such Person; or (c) five percent (5%) or more of the voting stock of which is directly or indirectly beneficially owned or held by the Person in question. The term "***control***" means the possession, directly or indirectly, of the power to direct or cause direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise; provided, however, in no event shall Lender be deemed an Affiliate of Borrowers or any of their Affiliates or the Subsidiaries.

"***Agreement***" has the meaning set forth in the Introductory Paragraph hereto, as the same may, from time to time, be amended, modified, restated, renewed, waived, supplemented, or otherwise changed, and includes all schedules, exhibits and appendices attached or otherwise identified therewith.

"***Beneficial Ownership Certification***" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation, which certification shall be substantially in form and substance satisfactory to Lender.

"***Beneficial Ownership Regulation***" means 31 C.F.R. §1010.230.

"***Borrowers***" means the Persons identified as such in the Introductory Paragraph hereof, and their successors and assigns, and"***Borrower***" means any one of the Borrowers.

"***Borrowing Base***" means, at any time, an amount equal to the lesser of (a) $1,000,000 (the"***Initial Borrowing Cap***") or (b) the sum of fifty percent (50%) of the value of Eligible Accounts. Notwithstanding the foregoing, if the Lender and the Term Loan Lender expressly consent in writing, the Initial Borrowing Cap may be removed.

"***Borrowing Base Report***" means, as of any date of preparation, a certificate setting forth the Borrowing Base (in a form acceptable to Lender in substantially the form of ***Exhibit A*** attached hereto) prepared by and certified by a Responsible Officer of Borrower.

"***Business Day***" means any day other than a Saturday or a Sunday or any day on which commercial banks in Los Angeles, California, are authorized or required to close, and, if the applicable Business Day relates to a LIBOR Amount, such day also must be a day on which U.S. Dollar deposits are traded by and between banks in the London interbank Eurodollar market.

"***Capital Expenditure***" shall mean any expenditure by a Person for (a) an asset which will be used in a year or years subsequent to the year in which the expenditure is made and which asset is properly classified in relevant financial statements of such Person as equipment, real property, a fixed asset or a similar type of capitalized asset in accordance with GAAP or (b) an asset relating to or acquired in connection with an acquired business, and any and all acquisition costs related to ***(a)*** or ***(b)*** above.

"***Capitalized Lease Obligation***" shall mean the amount of Debt under a lease of Property by a Person that would be shown as a liability on a balance sheet of such

Person prepared for financial reporting purposes in accordance with GAAP.

"***Cash and Cash Equivalents***" shall mean, with respect to any Person, an unrestricted or unencumbered (A) cash and (B) any of the following: (x) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by an agency thereof and backed by the full faith and credit of the United States; (y) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof which, at the time of acquisition, has one of the two highest ratings obtainable from any two of S&P Global Ratings, Moody's Investors Service, Inc. or Fitch Investors (or, if at any time no two of the foregoing shall be rating such obligations, then from such other nationally recognized rating services as may be acceptable to Lender) and is not listed for possible down-grade in any publication of any of the foregoing rating services; (z) domestic certificates of deposit or domestic time deposits or repurchase agreements issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than $500,000,000.00, which commercial bank has a rating of at least either "AA" or such comparable rating from S&P Global Ratings or Moody's Investors Service, Inc., respectively; (aa) money market funds having assets under management in excess of $1,000,000,000.00; (bb) any unrestricted stock, shares, certificates, bonds, debentures, notes or other instrument which constitutes a "security" under the Security Act of 1993, which are freely tradable on any nationally recognized securities exchange and are not otherwise encumbered by such transferee; (cc) lines of credit; (dd) unfunded, but unconditionally committed and unencumbered capital commitments 4834-9142-1879 v.102 of the direct or indirect members or limited partners of such Person (or, to the extent encumbered by a subscription facility (or the like), such capital commitments, less any amounts drawn and outstanding under a subscription facility (or the like)) or such other assets or properties as Lender may (in its sole discretion) deem acceptable as evidenced by Lender's written confirmation, excluding any and all retirement accounts and deferred profit-sharing accounts. To constitute "*Cash and Cash Equivalents*" the foregoing items described in ***(A)*** and ***(B)*** above must be: (i) owned solely in the name of such Person or its wholly owned direct or indirect subsidiaries, as set forth on such Person's balance sheet (and not jointly with any other person or entity) in a non-margin account identified as being owned by solely in the name of such Person or its wholly owned direct or indirect subsidiaries, as set forth on such Person's balance sheet; and (ii) free and clear of any lien, security interest, assignment, right of setoff or other encumbrance of any kind except Permitted Liens hereof. For any purpose of determination hereunder, the amount of "*Cash and Cash Equivalents*" shall be reduced by outstanding unsecured debt (under revolving lines of credit or otherwise) of any one or more of the person/trusts which comprise such Person.

"***Cash Flow Available for Debt Service***" means, for Borrowers and the Subsidiaries, on a consolidated basis, for any period, (a) EBITDA,*minus* (b) cash taxes paid or payable or Permitted Tax Distributions made during such period, *minus* (c) all Capital Expenditures not financed with Debt permitted hereunder during such period,*minus* (d) distributions.

"***Change in Control***" means any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of any Borrower, any sale or exchange of outstanding shares or other Equity Interests (or similar transaction or series of related transactions) of any Borrower or any other transaction or series of transactions, as a result of which (i) Mark Walker and Keith Smith (together with members of their immediate families) collectively do not own a majority of the common equity interest in and more than 50% of the voting power of, and control, the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether a Borrower is the surviving entity, and own and control directly or indirectly a majority of the Equity Interests in and more than 50% of the voting power of, and control, each Borrower, or (ii) any other Person or group acquires, directly or indirectly, more than 50% of the voting power, or control, of any Borrower, it being understood that any change in composition of the Board of Direct Digital as contemplated by the Operating Agreement of Direct Digital as in effect as of the date hereof shall not constitute a Change in Control.

"***Code***" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated and rulings issued thereunder.

"***Collateral***" means all property and assets granted as collateral security for the Obligations, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest or Hedge Agreement whatsoever, whether created by law, contract, or otherwise.

"***Commitment***" means the obligation of Lender to make Revolving Credit Advances pursuant to***Section 2.01*** in an aggregate principal amount up to but not exceeding Four Million Five Hundred Thousand Dollars ($4,500,000), subject to termination pursuant to ***Section 10.02***.

"***Commitment Fee***" means Forty-Five Thousand and No/100 Dollars ($45,000).

"***Commodity Exchange Act***" means the Commodity Exchange Act (7 U.S.C. §1 *et seq.*), and any successor statute.

"***Compliance Certificate***" means a certificate, substantially in the form of***Exhibit B*** attached hereto, prepared by and executed by an officer of Borrowers.

"***Constituent Documents***" means (i) in the case of a corporation, its articles or certificate of incorporation and bylaws; (ii) in the case of a general partnership, its partnership agreement and certificate of formation or other instrument filed in connection with its formation; (iii) in the case of a limited partnership, its certificate of limited partnership and partnership agreement; (iv) in the case of a trust, its trust agreement; (v) in the case of a joint venture, its joint venture agreement; (vi) in the case of a limited liability company, its articles of organization and operating agreement or regulations; and (vii) in the case of any other entity, its organizational and governance documents and agreements.

"***Debt***" means as to any Person at any time (without duplication): (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, notes, debentures, or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable of such Person arising in the ordinary course of business that are not past due by more than ninety (90) days, (d) all Capitalized Lease Obligations of such Person, (e) all Debt or other obligations of others Guaranteed by such Person, (f) all obligations secured by a Lien existing on property owned by such Person, whether or not the obligations secured thereby have been assumed by such Person or are non-recourse to the credit of such Person, (g) any other obligation for borrowed money or other financial accommodations which in accordance with GAAP would be shown as a liability on the balance sheet of such Person, (h) any repurchase obligation or liability of a Person with respect to accounts, chattel paper or notes receivable sold by such Person, (i) any liability under a sale and leaseback transaction that is not a Capitalized Lease Obligation, (j) any obligation under any so-called "*synthetic leases*", (k) any obligation arising with respect to any other transaction that is the functional equivalent of borrowing but which does not constitute a liability on the balance sheets of a Person, (l) all reimbursement obligations of such Person (whether contingent or otherwise) in respect of letters of credit, bankers' acceptances, surety or other bonds and similar instruments, and (m) all liabilities of such Person in respect of unfunded vested benefits under any Plan.

"***Debt Service***" means, for any Person as of any date of determination, the sum of (a) the current portion of long-term Debt of such Person and (b) all regularly scheduled interest payments that are paid in cash with respect of all Debt of such Person for the trailing twelve-month period ending on the date of determination.

"***Default***" means an Event of Default or the occurrence of an event or condition which with notice or lapse of time or both would become an Event of Default.

"***Default Interest Rate***" means a rate per annum equal to the Loan Rateplus five percent (5%), but in no event in excess of the Maximum Lawful Rate.

"***Delaware LLC***" means any limited liability company organized or formed under the laws of the State of Delaware.

"***Delaware LLC Division***" means the statutory division of any Delaware LLC into two or more Delaware LLCs pursuant to*Section 18-217* of the Delaware Limited Liability Company Act.

"***Designated Jurisdiction***" means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

"***Dollars***" and "***$***" mean lawful money of the United States of America.

"***Domestic Subsidiary***" means any Subsidiary that is organized under the laws of any political subdivision of the United States of America.

"***EBITDA***" means, for Borrowers and their Subsidiaries on a consolidated basis for any period in question, the sum of (a) Net Income for such periodplus (b) to the extent deducted in determining such Net Income, the sum, without duplication, of (i) Interest Expense during such period, (ii) all federal, state, local and/or foreign income taxes payable by Borrowers and their Subsidiaries during such period, (iii) depreciation expenses of Borrowers and their Subsidiaries during such period, (iv) amortization expenses of Borrowers and their Subsidiaries during such period, (v) management fees payable under and pursuant to the Board Services and Consulting Agreements each dated as of September 30, 2020, by and between DDH, on the one hand, and Keith Smith and Mark Walker, respectively, on the other hand (not to exceed in aggregate amount $900,000 per annum or $225,000 per quarter for purposes of this definition), and (vi) non-recurring legal, consulting expenses in an amount up to $250,000 during any 12 month period and minus (c) any extraordinary, non-recurring and/or non-cash gains or income during such period as reported in the monthly and annual financials of Borrowers and their Subsidiaries, all determined on a consolidated basis.

"***Eligible Accounts***" means, at any time, all accounts receivable of Borrowers and their Subsidiaries that are Guarantors created in the ordinary course of business that are acceptable to Lender in its Permitted Discretion and satisfy the following conditions:

(a) The account complies with all applicable laws, rules, and regulations, including, without limitation, usury laws, the Federal Truth in Lending Act, and Regulation Z of the Board of Governors of the Federal Reserve System;

(b) The account has not been outstanding for more than ninety (90) days past the original date of invoice;

(c) The account does not represent a commission and the account was created in connection with (i) the sale of goods by a Borrower or a Subsidiary in the ordinary course of business and such sale has been consummated and such goods have been shipped and delivered and received by the account debtor, or (ii) the performance of services by a Borrower or a Subsidiary in the ordinary course of business and such services have been completed and accepted by the account debtor;

(d) The account arises from an enforceable contract, the performance of which has been completed by a Borrower or a Subsidiary;

(e) The account does not arise from the sale of any good that is on a bill-and-hold, guaranteed sale, sale-or-return, sale on approval, consignment, or any other repurchase or return basis;

(f) A Borrower or a Subsidiary has good and indefeasible title to the account and the account is not subject to any Lien except Liens in favor of Lender and Term Loan Lender;

(g) The account does not arise out of a contract with or order from, an account debtor that, by its terms, prohibits or makes void or unenforceable the grant of a security interest by a Borrower or a Subsidiary to Lender in and to such account;

(h) The account is not subject to any setoff, counterclaim, defense, dispute, recoupment, or adjustment other than normal discounts for prompt payment;

(i) The account debtor is not insolvent or the subject of any bankruptcy or insolvency proceeding and has not made an assignment for the benefit of creditors, suspended normal business operations, dissolved, liquidated, terminated its existence, ceased to pay its debts as they become due, or suffered a receiver or trustee to be appointed for any of its assets or affairs;

(j) The account is not evidenced by chattel paper or an instrument;

(k) No default exists under the account by any party thereto beyond any applicable notice and cure period;

(l) The account debtor has not returned or refused to retain, or otherwise notified a Borrower or a Subsidiary of any dispute concerning, or claimed nonconformity of, any of the goods from the sale of which the account arose;

(m) The account is not owed by an Affiliate, employee, officer, director or shareholder of any Borrower or a Subsidiary;

(n) The account is payable in Dollars by the account debtor;

(o) The account is not owed by an account debtor whose accounts Lender in its Permitted Discretion has chosen to exclude from Eligible Accounts;

(p) The account shall be ineligible if the account debtor is domiciled in any country other than the United States of America and/or Canada;

(q) The account shall be ineligible if more than twenty-five percent (25%) of the aggregate balances then outstanding on accounts owed by such account debtor and its Affiliates to any Borrower or a Subsidiary are more than ninety (90) days past the dates of their original invoices;

(r) The account shall be ineligible if the account debtor is the United States of America or any department, agency, or instrumentality thereof, and the Federal Assignment of Claims Act of 1940, as amended, shall not have been complied with;

(s) The account shall be ineligible to the extent the aggregate of all accounts owed by the account debtor and its Affiliates to which the account relates exceeds

twenty-five percent (25%) of all accounts owed by all of Borrower's and its Subsidiaries' account debtors; and

(t) The Account is otherwise acceptable in the Permitted Discretion of Lender; provided that Lender shall have the right to create and adjust eligibility standards and related reserves from time to time in its Permitted Discretion.

The amount of the Eligible Accounts owed by an account debtor to Borrower or a Subsidiary shall be reduced by the amount of all "*contra accounts*" and other obligations owed by Borrower or a Subsidiary to such account debtor.

"***Environmental Laws***" means any and all federal, state, and local laws, regulations, judicial decisions, orders, decrees, plans, rules, permits, licenses, and other governmental restrictions and requirements pertaining to health, safety, or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601 *et seq.*, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901 *et seq.*, the Occupational Safety and Health Act, 29 U.S.C. §651 *et seq.*, the Clean Air Act, 42 U.S.C. §7401 *et seq.*, the Clean Water Act, 33 U.S.C. §1251 *et seq.*, and the Toxic Substances Control Act, 15 U.S.C. §2601 *et seq.*, as the same may be amended or supplemented from time to time.

"***Environmental Liabilities***" means, as to any Person, all liabilities, obligations, responsibilities, Remedial Actions, losses, damages, punitive damages, consequential damages, treble damages, costs, and expenses, (including, without limitation, all reasonable fees, disbursements and expenses of counsel, expert and consulting fees and costs of investigation and feasibility studies), fines, penalties, sanctions, and interest incurred as a result of any claim or demand, by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute, including any Environmental Law, permit, order or agreement with any Governmental Authority or other Person, arising from environmental, health or safety conditions or the Release or threatened Release of a Hazardous Material into the environment, resulting from the past, present, or future operations of such Person or its Affiliates.

"***Equity Cure***" means the cash contributions made to Direct Digital in immediately available funds by one or more holders of Equity Interests therein as additional common equity contributions to Direct Digital and which are designated an "Equity Cure" by Direct Digital under ***Section 10.04*** at the time contributed.

"***Equity Interests***" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereunder.

"***ERISA Affiliate***" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of *Section 414(b)* of the Code) as any Borrower or is under common control (within the meaning of *Section 414(c)* of the Code) with any Borrower.

"***Event of Default***" has the meaning specified in ***Section 10.01***.

"***Excluded Account***" means any deposit account (including, for the avoidance of doubt, any cash, cash equivalents or other property contained therein): (i) solely to the extent, and for so long as, such deposit account is pledged to secure performance of obligations arising under clause (vi) of the defined term "Permitted Liens", and whether such pledge is by escrow or otherwise, in all cases with a balance no greater than such obligations under clause (vi) of the defined term "Permitted Liens"; (ii) used exclusively for payroll, payroll taxes and other employee wage and benefit payments with a balance no greater than such payroll, payroll taxes and other employee wage and benefit payments obligations that are to be paid within any two-week period; (iii) constituting a "zero balance" deposit account; or (iv) consisting of a disbursement account established with a payment processor to process vendor payments so long as the average monthly balance in such account does not exceed $250,000 at any one time.

"***Excluded Hedge Obligation***" means, with respect to any Obligated Party, any Hedge Obligations if, and to the extent that, all or a portion of such Obligated Party's Guarantee of (whether such Guarantee arises pursuant to a Guaranty, by such Obligated Party's being jointly and severally liable for such Hedge Obligations, or otherwise (any such Guarantee, an "***Applicable Guarantee***")), or the grant by such Obligated Party of a security interest to secure, such Hedge Obligations (or any Applicable Guarantee thereof) is or becomes illegal or unlawful under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Obligated Party's failure for any reason not to constitute an Eligible Contract Participant (as defined in the Commodity Exchange Act), and any and all Guarantees of such Obligated Parties' Hedge Obligations by other Obligated Parties at the time the Applicable Guarantee of such Obligated Party or the grant of such security interest becomes effective with respect to such related Hedge Obligations. If any Hedge Obligations arise under a Master Agreement governing more than one Hedge Agreement, then such exclusion shall apply only to the portion of such Hedge Obligations that is attributable to Hedge Agreements for which such Applicable Guarantee or security interest is or becomes illegal.

"***Excluded Taxes***" means (a) backup withholding taxes, (b) franchise taxes, (c) taxes imposed on or measured by net income (however denominated), in each case, (i) imposed on (or measured by) Lender's net income by the jurisdiction under the laws of which Lender is organized or in which its principal office is located or in which its applicable lending office is located or (ii) that are taxes imposed as a result of a present or former connection between Lender and the jurisdiction imposing such tax (other than connections arising from Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any Loan Document or sold or assigned an interest in any Advance, and (d) taxes attributable to Lender's failure to provide Borrowers with any forms or other documentation required by applicable law or reasonably requested by Borrowers in order for Borrowers to determine whether or not payments pursuant to any Loan Document are subject to withholding or information reporting requirements.

"***Fixed Charge Coverage Ratio***" means the ratio of (a) Cash Flow Available for Debt Service for the trailing twelve-month period ending on the date of determination, to (b) Debt Service, in each case for Borrowers and the Subsidiaries on a consolidated basis.

"***Funding Loss***" means the amount (which shall be payable on demand by Lender) necessary to promptly compensate Lender for, and hold it harmless from, any loss, cost or expense incurred by Lender as a result of:

(a) any payment or prepayment of any LIBOR Amount on a day other than the last day of the relevant LIBOR Interest Period (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrowers to borrow a LIBOR Amount bearing or selected to bear interest based upon LIBOR on the date or in the amount selected by Borrowers;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such LIBOR Amount or from fees payable to terminate the deposits from which such funds were obtained. Borrowers shall also pay any customary administrative fees charged by Lender in connection with the foregoing. For purposes of calculating amounts payable by Borrowers to Lender hereunder, Lender shall be deemed to have funded the LIBOR Amount based upon the LIBOR Rate by a matching deposit or other borrowing in the London inter-bank market for a comparable amount and for a comparable period, whether or not such LIBOR Amount was in fact so funded.

"***GAAP***" means generally accepted accounting principles, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants and/or in statements of the Financial Accounting Standards Board and/or their respective successors and which are applicable in the circumstances as of the date in question. Accounting principles are applied on a "consistent basis" when the accounting principles applied in a current period are comparable in all material respects to those accounting principles applied in a preceding period.

"***Governmental Authority***" means any nation or government, any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government.

"***Guarantee***" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person as well as any obligation or liability, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation or liability (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to operate Property, to take-or-pay, or to maintain net worth or working capital or other financial statement conditions or otherwise) or (b) entered into for the purpose of indemnifying or assuring in any other manner the obligee of such Debt or other obligation or liability of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "***Guarantee***" used as a verb has a corresponding meaning.

"***Guarantor***" means any Person who from time to time guarantees all or any part of the Obligations, including, the Subsidiary Guarantors.

"***Guaranty***" means a written guaranty of each Guarantor in favor of Lender, in form and substance satisfactory to Lender, as the same may be amended, modified, restated, renewed, replaced, extended, supplemented or otherwise changed from time to time.

"***Hazardous Material***" means any substance, product, waste, pollutant, material, chemical, contaminant, constituent, or other material which is or becomes listed, regulated, or addressed under any Environmental Law, including, without limitation, asbestos, petroleum, and polychlorinated biphenyls.

"***Hedge Agreement***" means (a) any and all interest rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules and annexes, a "***Master Agreement***") and (c) any and all Master Agreements and any and all related confirmations.

"***Hedge Bank***" means any Person that, at the time it enters into an interest rate Hedge Agreement permitted under this Agreement, is Lender or an Affiliate of Lender, in its capacity as a party to such Hedge Agreement.

"***Hedge Obligations***" means, for any Person, any and all obligations (whether absolute or contingent and howsoever and whensoever created) of such Person to pay or perform under any agreement, 4834-9142-1879 v.109 contract or transaction that constitutes a "*swap*" within the meaning of *Section 1a(47)* of the Commodity Exchange Act arising, evidenced or acquired under (a) any and all Hedging Agreements, (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Agreements, and (c) any and all renewals, extensions and modifications of any Hedging Agreements and any and all substitutions of any Hedging Agreements.

"***Huddled Masses Notes***" means, collectively (i) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company and Cantu Holdings, LLC, a Delaware limited liability, in the amount of $250,000.00, with an outstanding balance of $87,500 as of the date hereof, (ii) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company, Charles Cantu, a New York resident, Kristie MacDonald, Amy Harris, Laura Ottaviano, Lisa Grisanti, Joseph Riggio, in the amount of $141,203.69, (iii) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company, and Devon White, a New York resident, in the amount of $21,990.74, and (iv) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company, and MediaMath, Inc., a Delaware corporation, in the amount of $64,814.81.

"***Intercreditor Agreement***" means that certain Intercreditor Agreement of even date herewith, by and among Term Loan Lender and Lender, as amended, restated, supplemented or otherwise modified from time to time.

"***Interest Expense***" means, for any period, the interest expense of Borrowers and their Subsidiaries for the period in question, determined on a consolidated basis and consistent with practices as of the date hereof or otherwise in accordance with GAAP.

"***Interest Payment Date***" means (a) with respect to any principal amount bearing interest based upon the Prime Rate, the first day of each and every calendar month during the term of the Notes and (b) with respect to each LIBOR Amount, the last day of each LIBOR Interest Period applicable to such LIBOR Amount.

"***Investment***" means any beneficial ownership (including stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person or the acquisition of any material assets of another Person, other than equipment purchases made by the Borrower as part of the operation of its business.

"***Liabilities***" means, at any particular time, all amounts which, in conformity with GAAP, would be included as liabilities on a balance sheet of a Person.

"***LIBOR Amount***" means each principal amount for which the LIBOR Rate applies for any specified LIBOR Interest Period.

"***LIBOR Interest Period***" means, for any LIBOR Amount, a period of one month; provided, however, that: (i) the first day of a LIBOR Interest Period must be a

Business Day; (ii) no LIBOR Interest Period shall extend beyond the Maturity Date of the Loan under which the LIBOR Amount was made; (iii) no LIBOR Interest Period shall extend beyond the scheduled payment date of any principal payment required by the Loan under which the LIBOR Amount was made; (iv) any LIBOR Interest Period that would otherwise expire on a day that is not a Business Day shall be extended to the next succeeding Business Day, unless the result of such extension would be to extend such LIBOR Interest Period into another calendar month, in which event the LIBOR Interest Period shall end on the immediately preceding Business Day; and (v) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Interest Period) shall end on the last Business Day of a calendar month.

"***LIBOR Rate***" means, an interest rate equivalent to Lender's LIBOR Rate which is that rate determined by Lender's Treasury Desk to be the Interbank lending rate for a period equal to the applicable LIBOR Interest Period which appears on the Bloomberg Screen B TMM Page under the heading "LIBOR Fix" as of 11:00 am (London Time) on the second Business Day prior to the first day of such period (adjusted for any and all assessments, surcharges and reserve requirements). Notwithstanding anything in this definition to the contrary, if LIBOR Rate shall be less than zero, then such rate shall be deemed to be zero for purposes of this Agreement.

"***Lien***" means any lien, mortgage, security interest, tax lien, pledge, charge, hypothecation, assignment, preference, priority, or other encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise.

"***Liquid Assets***" shall mean, with respect to any Person, (a) unencumbered Cash and Cash Equivalents (as defined below) and (b) marketable securities, each valued in accordance with GAAP, consistently applied (or other principles acceptable to Lender), as reasonably determined by such Person and reasonably approved by Lender.

"***Loan Documents***" means this Agreement, the Intercreditor Agreement, the Preferred Equity Subordination Agreement, and all promissory notes, security agreements, pledge agreements, deeds of trust, assignments, letters of credit, guaranties, Hedge Agreements and other instruments, documents, and agreements executed and delivered pursuant to or in connection with this Agreement, as such instruments, documents, and agreements may be amended, modified, renewed, restated, extended, supplemented, replaced, consolidated, substituted, or otherwise changed from time to time.

"***Loan Rate***" means the LIBOR Rate *plus* 3.50% per annum; *provided*, *that*, in no event shall the Loan Rate be less than 0.50% of the Loan Rate effective on the date of this Agreement.

"***Master Agreement***" has the meaning set forth in the definition of"*Hedge Agreement.*"

"***Material Adverse Event***" means any act, event, condition, or circumstance which could materially and adversely affect: (a) the operations, business, properties, liabilities (actual or contingent), or condition (financial or otherwise) of Borrowers or Borrowers and the Subsidiaries, taken as a whole; (b) the ability of any Obligated Party to perform its obligations under any Loan Document to which it is a party; or (c) the legality, validity, binding effect or enforceability against any Obligated Party of any Loan Document to which it is a party.

"***Maturity Date***" means 3:00 P.M. Dallas, Texas time on September 30, 2022, or such earlier date on which the Commitment terminates as provided in this Agreement.

"***Maximum Lawful Rate***" means, at any time, the maximum rate of interest which may be charged, contracted for, taken, received or reserved by Lender in accordance with applicable Texas law (or applicable United States federal law to the extent that such law permits Lender to charge, contract for, receive or reserve a greater amount of interest than under Texas law). The Maximum Lawful Rate shall be calculated in a manner that takes into account any and all fees, payments, and other charges in respect of the Loan Documents that constitute interest under applicable law. Each change in any interest rate provided for herein based upon the Maximum Lawful Rate resulting from a change in the Maximum Lawful Rate shall take effect without notice to Borrowers at the time of such change in the Maximum Lawful Rate.

"***Multiemployer Plan***" means a multiemployer plan defined as such in *Section 3(37)* of ERISA to which contributions have been made by any Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"***Net Income***" means the net income (or loss) of Borrowers and their Subsidiaries for the period in question, determined on a consolidated basis and consistent with practices as of the date hereof or otherwise in accordance with GAAP.

"***Notes***" means, collectively, all promissory notes (and"***Note***" means any of such Notes) executed at any time by Borrowers and payable to the order of Lender, as amended, renewed, replaced, extended, supplemented, consolidated, restated, modified, otherwise changed and/or increased from time to time.

"***Obligated Party***" means each Borrower, each Guarantor and any other Person who is or becomes party to any agreement that guarantees or secures payment and performance of the Obligations or any part thereof.

"***Obligations***" means all obligations, indebtedness, and liabilities of Borrowers, each Guarantor and any other Obligated Party to Lender or any Affiliate of Lender, or both, now existing or hereafter arising, whether direct, indirect, related, unrelated, fixed, contingent, liquidated, unliquidated, joint, several, or joint and several, including, without limitation, the obligations, indebtedness, and liabilities under this Agreement, all Hedge Obligations under any Secured Hedge Agreements, the other Loan Documents, any cash management or treasury services agreements and all interest accruing thereon (whether a claim for post-filing or post-petition interest is allowed in any bankruptcy, insolvency, reorganization or similar proceeding) and all attorneys' fees and other expenses incurred in the enforcement or collection thereof;*provided*, *however*, that any other term or provision of this Agreement or any other Loan Document to the contrary notwithstanding, the "***Obligations***" of any Obligated Party shall exclude, as to such Obligated Party, Excluded Hedge Obligations of such Obligated Party.

"***Operating Agreement Direct Digital"*** means the Amended and Restated Limited Liability Company Agreement of Direct Digital dated September 30, 2020.

"***Orange 142 Acquisition***" means the acquisition by Direct Digital of all or substantially all of the issued and outstanding membership interests of Orange, via sale, transfer, conveyance, assignment, and/or contribution of such interests.

"***Priority Collateral***" means the Collateral in which the Lender has a first priority security interest under the Security Agreement, subject to the Intercreditor Agreement.

"***Patriot Act***" means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

"***PBGC***" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"***Permitted Discretion***" means a determination in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"***Permitted Indebtedness***" means: (i) Debt to Lender arising under this Agreement or any other Loan Document; (ii) Term Loan Debt in accordance with the Intercreditor Agreement; (iii) Debt existing on the date hereof which is disclosed in ***Schedule 8.01***; (iv) Debt of up to $200,000 outstanding at any time secured by a Lien described in clause (viii) of the defined term "Permitted Liens," provided such Debt does not exceed the cost of the equipment or intellectual property financed with such Debt; (v) amounts billed to a Borrower by its suppliers for goods delivered to or services performed for such Borrower in the ordinary course of business; (vi) reimbursement obligations in connection with trade letters of credit entered into in the ordinary course of business and, to the extent not subject to an Excluded Account, cash management services (including credit cards, debit cards and other similar instruments) that are secured by cash and issued on behalf of any Borrower or a Subsidiary thereof in an amount not to exceed $200,000 at any time outstanding; (vii) Debt secured by a Lien described in clause (xi) of the defined term "Permitted Liens"; (viii) Debt; extensions, refinancings and renewals of any items of Permitted Indebtedness; provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon any Borrower or its Subsidiary, as the case may be; (ix) other unsecured Debt in an amount not to exceed $200,000 in the aggregate; and (x) the Huddled Masses Notes as in effect as of the date hereof.

"***Permitted Investment***" means: (i) Investments existing as of the date hereof which are disclosed on ***Schedule 8.05***; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Services, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (c) certificates of deposit issued by any bank with assets of at least $250,000,000 maturing no more than one year from the date of investment therein, and (d) money market accounts; (iii) repurchases of stock from current or former employees, directors, or consultants of the Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed $250,000 in any fiscal year; provided that no Event of Default has occurred, is continuing or could exist after giving effect to the repurchases; (iv) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of Borrowers' business; (v) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions to, customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this subparagraph (vi) shall not apply to Investments of any Borrower in any Subsidiary; (vi) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock or other Equity Interests of a Borrower pursuant to employee stock purchase plans or other similar agreements approved by such Borrower's Board of Directors (or, if not a corporation, its equivalent authorizing body); (vii) Investments consisting of travel advances in the ordinary course of business; (viii) Investments in newly-formed Subsidiaries; provided that any such Subsidiary that is or is expected to become an After-Acquired Subsidiary complies with Section ***7.13*** hereof; and (ix) additional Investments that do not exceed $200,000 in the aggregate in any fiscal year if, at the time of such Investment and after giving effect thereto, the Borrower is in compliance with the Financial Covenants in Article IX (or, for any period prior to December 31, 2020, would be in compliance if the requirement thereunder were in effect as of the date of such Investment).

"***Permitted Liens***" means any and all of the following: (i) Liens in favor of the Lender; (ii) Liens in favor of the Term Loan Lender securing the Debt under the Term Loan Documents, subject to the Intercreditor Agreement; (iii) Liens existing as of the date hereof which are disclosed in ***Schedule 8.02*** hereto; (iv) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided that Borrowers maintain adequate reserves therefor in accordance with GAAP; (v) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of any Borrower's business and imposed without action of such parties; (vi) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vii) Liens on deposits held in an Excluded Account; (viii) Liens on equipment or software or other intellectual property constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iv) of "Permitted Indebtedness"; (ix) Liens incurred in connection with Subordinated Debt; (x) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (xi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due; (xii) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance proceeds and not to any other property or assets); (xiii) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms; (xiv) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; (xv) (A) Liens on cash securing obligations permitted under clause (vi) of the definition of Permitted Indebtedness and (B) security deposits in connection with real property leases, the combination of (A) and (B) in an aggregate amount not to exceed $300,000 at any time; (xvi) sales, transfers or other dispositions of assets permitted by ***Section 8.08*** and, in connection therewith, customary rights and restrictions contained in agreements relating to such transactions pending the completion thereof or during the term thereof, and any option or other agreement to sell, transfer, license, sublicense, lease, sublease or dispose of an asset permitted by ***Section 8.08***, in each case, such terms being agreed to and such transactions entered into in the ordinary course of business; and (xvii) Liens incurred in connection with the extension, renewal or refinancing of the Debt secured by Liens of the type described in clauses (i) through (xvi) above; provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Debt being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

"***Permitted Tax Distributions***" means, quarterly tax distributions by Direct Digital to its constituent members in the amount necessary to satisfy U.S. federal, state and local income tax obligations allocated to such members based on the taxable income of and its Subsidiaries on a consolidated basis for such taxable year, in an aggregate amount determined in accordance with the terms of the organizational documents of Direct Digital. Direct Digital may make such distributions after the end of the taxable year, or make such distributions on a quarterly basis during the taxable year to reflect estimated tax obligations of the members and their direct or indirect equityholders. For the avoidance of doubt, Permitted Tax Distributions based on estimates shall be made on a "rolling basis" and will be trued-up at least annually

"***Person***" means any individual, corporation, limited liability company, business trust, association, company, partnership, joint venture, Governmental Authority, or other entity, and shall include such Person's heirs, administrators, personal representatives, executors, successors and assigns.

"***Plan***" means any employee benefit or other plan established or maintained by any Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"***Preferred Equity***" means the Equity Interests issued to USDM Holdings, Inc., a Texas corporation, and other "Preferred Unit Holders" pursuant to the Operating Agreement of Direct Digital.

"***Preferred Equity Subordination Agreement***" means that certain Preferred Equity Subordination Agreement of even date herewith, by and among Direct Digital, the holder(s) of the Preferred Equity and Lender, as amended, restated, supplemented or otherwise modified from time to time.

"***Prime Rate***" means, for any day, the rate of interest announced from time to time by Lender as its "*base*" or "*prime*" rate of interest, which Borrowers hereby acknowledge and agree may not be the lowest interest rate charged by Lender and is set by Lender in its sole discretion, changing when and as said prime rate changes.

"***Principal Office***" means the principal office of Lender, presently located at 5001 Spring Valley Road, Suite 825W, Dallas, Texas 75224.

"***Prohibited Transaction***" means any non-exempt transaction set forth in*Section 406* of ERISA or *Section 4975* of the Code.

"***Property***" of a Person means any and all property, whether real, personal, tangible, intangible or mixed, of such Person, or any other assets owned, operated or leased by such Person.

"***Related Indebtedness***" has the meaning set forth in***Section 11.20*** of this Agreement.

"***Release***" means, as to any Person, any release, spill, emission, leaking, pumping, injection, deposit, disposal, disbursement, leaching, or migration of Hazardous Materials into the indoor or outdoor environment or into or out of property owned by such Person, including, without limitation, the movement of Hazardous Materials through or in the air, soil, surface water, ground water, or property.

"***Remedial Action***" means all actions required to (a) clean up, remove, treat, or otherwise address Hazardous Materials in the indoor or outdoor environment, (b) prevent the Release or threat of Release or minimize the further Release of Hazardous Materials so that they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment, or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care.

"***Reportable Event***" means any of the events set forth in*Section 4043* of ERISA that requires the Borrower or Subsidiary to notify the PBGC of such event, and the reporting of which is not otherwise waived.

Responsible Officer" means (a) for any Borrower, the chief executive officer, president, chief financial officer, or treasurer of such Borrower or any Person designated by a Responsible Officer to act on behalf of a Responsible Officer; *provided that* such designated Person may not designate any other Person to be a Responsible Officer. Any document delivered hereunder that is signed by a Responsible Officer of Borrowers shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of Borrowers and such Responsible Officer shall be conclusively presumed to have acted on behalf of Borrowers and (b) for each other Person, (i) in the case of a corporation, its chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller, and a secretary or assistant secretary for the purposes of delivering incumbency certificates, or as a second Responsible Officer in any case where two Responsible Officers are acting on behalf of such corporation; (ii) in the case of a limited partnership, the Responsible Officer of the general partner, acting on behalf of such general partner in its capacity as general partner; or (iii) in the case of a limited liability company, the Responsible Officer of the managing member, acting on behalf of such managing member in its capacity as managing member.

"***Revolving Credit Advance***" means any Advance made by Lender to Borrowers pursuant to***Section 2.01(a)*** of this Agreement.

"***Revolving Credit Availability***" means on any date of determination the Commitment *minus* the aggregate amount of all outstanding Revolving Credit Advances.

"***Revolving Credit Note***" means the promissory note of Borrowers payable to the order of Lender, in substantially the form of***Exhibit C*** hereto, and all amendments, extensions, renewals, replacements, and modifications thereof.

"***RICO***" means the Racketeer Influenced and Corrupt Organization Act of 1970.

"***Sanction(s)***" means any sanction administered or enforced by the United States Government (including without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury ("***HMT***") or other relevant sanctions authority.

"***Secured Hedge Agreement***" means any Hedge Agreement permitted under this Agreement entered into by and between any Obligated Party and any Hedge Bank.

"***Security Agreement***" means the Security Agreement dated of even date herewith of Borrowers and the other Obligated Parties party thereto in favor of Lender, in form and substance satisfactory to Lender, as the same may be amended, restated, supplemented, modified, or changed from time to time.

"***Security Documents***" means the Security Agreement, each Guaranty, and each and every other security agreement, pledge agreement, mortgage or other collateral security agreement required by or delivered to Lender from time to time to secure the Obligations or any portion thereof.

"Specified Financial Covenants" has the meaning set forth in***Section 10.04***.

"***Specified Obligated Party***" means any Obligated Party that is not an Eligible Contract Participant (determined prior to giving effect to***Section 7.14*** hereof or any other "*keepwell, support or other agreement*" (as defined in the Commodity Exchange Act), or any similar provision contained in any Guaranty).

"***Subordinated Debt***" means any Debt of Borrowers (other than the Obligations) that has been subordinated to the Obligations by written agreement, in form and content satisfactory to Lender, including without limitation, any payment obligations on the Preferred Equity.

"***Subsidiary***" means (a) any corporation of which at least a majority of the outstanding shares of stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by any Borrower or one or more of the Subsidiaries or by any Borrower and one or more of the Subsidiaries; and (b) any other entity (i) of which at least a majority of the ownership, equity or voting interest is at the time directly or indirectly owned or controlled by one or more of Borrowers and the Subsidiaries and (ii) which is treated as a subsidiary in accordance with GAAP.

"***Subsidiary Guarantors***" means each Domestic Subsidiary of each Borrower formed or acquired after the date hereof who from time to time guarantees all or any part of the Obligations, and "***Subsidiary Guarantor***" means any one of the Subsidiary Guarantors.

"***Term Loan Debt***" means the secured indebtedness of Borrowers under the Term Loan Agreement in a principal amount not to exceed Twelve Million Eight Hundred Twenty-Five Thousand Dollars ($12,825,000).

"***Term Loan Documents***" means the Term Loan Agreement and the other Loan Documents (as defined in the Term Loan Agreement) executed in connection therewith, in each case, as amended, restated or modified from time to time as permitted by the terms of the Intercreditor Agreement.

"***Term Loan Agreement***" means that certain Loan and Security Agreement dated as of the date hereof, by and between Term Loan Lender and Borrowers as amended, restated or modified from time to time as permitted by the terms of the Intercreditor Agreement.

"***Term Loan Lender***" means Silverpeak Credit Partners, LP and its successors and permitted assigns.

"***Term Loan Priority Collateral***" means all Collateral that is not Priority Collateral.

"***Total Debt***" means all Debt of Borrowers and the Subsidiaries at such time.

"***Total Leverage Ratio***" means the ratio of (a) Total Debt of Borrowers and the Subsidiaries, on a consolidated basis, as of such date, to (b) EBITDA for Borrowers and the Subsidiaries, on a consolidated basis, for the four (4) fiscal quarters ending on such date.

"***UCC***" means the Chapters 1 through 11 of the Texas Business and Commerce Code, as amended from time to time.

"***Unfunded Pension Liability***" means the excess, if any, of (a) the funding target as defined under *Section 430(d)* of the Code without regard to the special at risk rules of *Section 430(i)* of the Code, over (b) the value of plan assets as defined under *Section 430(g)(3)(A)* of the Code determined as of the last day of each calendar year, without regard to the averaging which may be allowed under *Section 310(g)(3)(B)* of the Code and reduced for any prefunding balance or funding standard carryover balance as defined and provided for in *Section 430(f)* of the Code.

1.02 **Accounting Matters**. Any accounting term used in this Agreement or the other Loan Documents shall have, unless otherwise specifically provided therein, the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed, unless otherwise specifically provided therein, in accordance with GAAP consistently applied; provided, that all financial covenants and calculations in the Loan Documents shall be made in accordance with GAAP as in effect on the date of this Agreement unless Borrowers and Lender shall otherwise specifically agree in writing. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing.

1.03 **Other Definitional Provisions**. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "*hereof*", "*herein*", and "*hereunder*" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all Article and Section references pertain to this Agreement. Terms used herein that are defined in the UCC, unless otherwise defined herein, shall have the meanings specified in the UCC.

ARTICLE II.
ADVANCES

2.01 **Advances**.

(a) **Revolving Credit Advances**. Subject to the terms and conditions of this Agreement, Lender agrees to make one or more Revolving Credit Advances to Borrowers from time to time from the date hereof to and including the Maturity Date in an aggregate principal amount at any time outstanding up to but not exceeding the amount of the Commitment, provided that the aggregate amount of all Revolving Credit Advances at any time outstanding shall not exceed the lesser of (i) the amount of the Commitment or (ii) the Borrowing Base. Subject to the foregoing limitations, and the other terms and provisions of this Agreement, Borrowers may borrow, repay, and reborrow hereunder.

(i) **The Revolving Credit Note**. The obligation of Borrowers to repay the Revolving Credit Advances and interest thereon shall be evidenced by the Revolving Credit Note executed by Borrowers payable to the order of Lender, in the principal amount of the Commitment as originally in effect and dated the date hereof.

(ii) **Payments on Revolving Credit Advances**. All accrued but unpaid interest on the Revolving Credit Advances outstanding from time to time shall be payable in monthly installments on each Interest Payment Date until the Maturity Date when the then outstanding principal balance of the Revolving Credit Note and all accrued but unpaid interest thereon shall be due and payable. Borrowers may from time to time during the term of this Agreement borrow, partially or wholly repay its outstanding borrowings, and reborrow, subject to all of the limitations, terms and conditions of this Agreement and of the Loan Documents; *provided, however*, that the unpaid principal of the Revolving Credit Note shall not at any time exceed the principal amount stated above.

(iii) **Borrowing Procedure**. Borrowers shall give Lender notice of each Revolving Credit Advance by means of an Advance Request Form containing the information required therein and delivered (by hand or by mechanically confirmed facsimile) to Lender no later than 1:00 p.m. (Texas time) on the day on which the Revolving Credit Advance is desired to be funded. Advances shall be in a minimum amount of $10,000. Lender at its option may accept telephonic requests for such Advances, provided that such acceptance shall not constitute a waiver of Lender's right to require delivery of an Advance Request Form in connection with subsequent Advances. Any telephonic request for a Revolving Credit Advance by Borrowers shall be promptly confirmed by submission of a properly completed Advance Request Form to Lender, but failure to deliver an Advance Request Form shall not be a defense to payment of the Advance. Lender shall have no liability to Borrowers for any loss or damage suffered by Borrowers as a result of Lender's honoring of any requests, execution of any instructions, authorizations or agreements or reliance on any reports communicated to it telephonically, by facsimile or electronically and purporting to have been sent to Lender by Borrowers and Lender shall have no duty to verify the origin of any such communication or the identity or authority of the Person sending it. Subject to the terms and conditions of this Agreement, each Revolving Credit Advance shall be made available to Borrowers by depositing the same, in immediately available funds, in an account of Borrowers designated by Borrowers maintained with Lender at the Principal Office. At no time shall there be more than five (5) LIBOR Amounts outstanding under this Agreement.

2.02 **General Provisions Regarding Interest, Etc**.

(a) **Repayment of Advances**. Borrowers shall repay the unpaid principal amount of all Advances on the Maturity Date, unless sooner due by reason of acceleration by Lender as provided in this Agreement.

(b) **Interest Rate**. The unpaid principal balance of the Notes shall bear interest from the date hereof through the Maturity Date at a per annum rate which shall be, except as otherwise provided in this Agreement, the lesser of (A) the Loan Rate in effect from day to day, or (B) the Maximum Lawful Rate. The determination by Lender of the Loan Rate shall, in the absence of manifest error, be conclusive and binding in all respects. Notwithstanding anything herein to the contrary, in the event that (i) LIBOR is permanently or indefinitely unavailable or unascertainable, or ceases to be published by the LIBOR administrator or its successor, (ii) the LIBOR administrator or its successor invokes its insufficient admissions policy, (iii) LIBOR is determined to be no longer representative by the regulatory supervisor of the

administrator of LIBOR, (iv) LIBOR can no longer be lawfully relied upon in contracts of this nature by one or both of the parties, or (v) LIBOR does not accurately and fairly reflect the cost of making or maintaining the type of loans or advances under this Agreement and in any such case, such circumstances are unlikely to be temporary, then all references to the Loan Rate herein will instead be to a replacement rate determined by Lender in its reasonable judgment, including any adjustment to the replacement rate to reflect a different credit spread, term or other mathematical adjustment deemed necessary by the Lender in its reasonable judgment. Lender will provide reasonable notice to Borrowers of such replacement rate, which will be effective on the date of the earliest event set forth in clauses (i)-(v) of this paragraph. If there is any ambiguity as to the date of occurrence of any such event, Lender's judgment will be dispositive.

(c) **Default Interest Rate**. Any outstanding principal of any Advance and (to the fullest extent permitted by law) any other amount payable by Borrowers under this Agreement or any other Loan Document that is not paid in full when due (whether at stated maturity, by acceleration, or otherwise) shall bear interest at the Default Interest Rate for the period from and including the due date thereof to but excluding the date the same is paid in full. Additionally, upon the occurrence and during the continuance of an Event of Default all outstanding and unpaid principal amounts of all of the Obligations shall, to the extent permitted by law, bear interest at the Default Interest Rate until such time as Lender shall waive in writing the application of the Default Interest Rate to such Event of Default situation. Interest payable at the Default Interest Rate shall be payable from time to time on demand.

(d) **Computation of Interest**. Interest on the Advances and all other amounts payable by Borrowers hereunder is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

(e) **Application of Payments**. Except as expressly provided this Agreement to the contrary, all payments on the Notes shall be applied in the following order of priority: (a) the payment or reimbursement of any Funding Loss, expenses, costs or obligations (other than the outstanding principal balance hereof and interest hereon) for which Borrowers shall be obligated or Lender shall be entitled pursuant to the provisions of this Agreement or the other Loan Documents; (b) the payment of accrued but unpaid interest hereon; and (c) the payment of all or any portion of the principal balance of the Advances then outstanding hereunder. If an Event of Default exists, then Lender may, at the sole option of Lender, apply any such payments, at any time and from time to time, to any of the items specified in ***clauses (a), (b)*** or ***(c)*** above without regard to the order of priority otherwise specified in this ***Section 2.02(e)*** and any application to the outstanding principal balance hereof may be made in either direct or inverse order of maturity. Payments by check or draft shall not constitute payment in immediately available funds until the required amount is actually received by Lender. Payments in immediately available funds received by Lender in the place designated for payment on a Business Day prior to 3:00 p.m. Dallas, Texas time at said place of payment shall be credited prior to the close of business on the Business Day received, while payments received by Lender on a day other than a Business Day or after 3:00 p.m. Dallas, Texas time on a Business Day shall not be credited until the next succeeding Business Day. If any payment of principal or interest on the Notes shall become due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day. Acceptance by Lender of any payment in an amount less than the full amount then due shall be deemed an acceptance on account only, and the failure to pay the entire amount then due may become an Event of Default. Borrowers agree that all payments of any Obligation due hereunder shall be final, and if any such payment is recovered in any bankruptcy, insolvency or similar proceedings instituted by or against Borrowers, all obligations due hereunder shall be automatically reinstated in respect of the obligation as to which payment is so recovered.

2.03 **Unused Facility Fee**. Borrowers agree to pay to Lender an unused facility fee on the daily unused amount of the Commitment for the period from and including the date of this Agreement to and including the Maturity Date, at the rate of 0.50% per annum based on a 360-day year and the actual number of days elapsed. For the purpose of calculating the unused facility fee hereunder, the Commitment shall be deemed utilized by the amount of all outstanding Revolving Credit Advances. Accrued unused facility fees shall be payable quarterly in arrears on the first (1st) Business Day of each April, July, October, and January during the term of this Agreement and on the Maturity Date.

2.04 **Use of Proceeds**. The proceeds of the Revolving Credit Advances shall be used by Borrowers to repay Debt, for working capital in the ordinary course of business and other general corporate purposes.

2.05 **Late Charges**. If a payment required by this Agreement is more than ten (10) days late, Borrowers will be charged 6.000% of the unpaid portion of the regularly scheduled payment or $5.00, whichever is greater.

2.06 **Funding Loss**. Borrowers shall pay to Lender any amounts required to compensate Lender for any Funding Loss.

ARTICLE III.
PAYMENTS

3.01 **Method of Payment**. All payments of principal, interest, and other amounts to be made by Borrowers under this Agreement and the other Loan Documents shall be made in immediately available funds in Dollars at the Principal Office (or at such other place as Lender, in Lender's sole discretion, may have established by delivery of written notice thereof to Borrowers from time to time), without offset, in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private. Payments by check or draft shall not constitute payment in immediately available funds until the required amount is actually received by Lender in full. Payments in immediately available funds received by Lender in the place designated for payment on a Business Day prior to 11:00 a.m. (Dallas, Texas time) at such place of payment shall be credited prior to the close of business on the Business Day received, while payments received by Lender on a day other than a Business Day or after 11:00 a.m. (Dallas, Texas time) on a Business Day shall not be credited until the next succeeding Business Day. If any payment of principal or interest on the Notes shall become due and payable on a day other than a Business Day, then such payment shall be made on the next succeeding Business Day. Any such extension of time for payment shall be included in computing interest which has accrued and shall be payable in connection with such payment.

3.02 **Prepayments**.

(a) **Voluntary Prepayments**. Borrowers may prepay all or any portion of the Notes at any time without fee, premium or penalty, all or any portion of the outstanding principal balance hereof; *provided, that*, (i) such prepayment shall also include any and all accrued but unpaid interest on the amount of principal being so prepaid through and including the date of prepayment, plus any other sums which have become due to Lender under the other Loan Documents on or before the date of prepayment, but which have not been fully paid and (ii) such prepayment shall also include any Funding Loss. Prepayments shall be in a minimum of $10,000. Notwithstanding the provisions of this paragraph, Borrowers must consult with Lender prior to making any prepayments when a Hedge Agreement has been executed between Borrowers and Lender in connection with the Notes. Borrowers acknowledge that partial prepayments of the Notes may require the Hedge Agreement to be amended, and full prepayment will terminate the Hedge Agreement. Full and partial prepayments will trigger an early termination valuation under the Hedge Agreement. Thus, an early termination fee may occur under the Hedge Agreement upon partial and full prepayment of the Notes. Notwithstanding the provisions of this paragraph, Borrowers shall remain obligated to pay any fee due and owing under the Hedge Agreement, including but not limited to any fee owed upon early termination of the Hedge Agreement.

(b) **Mandatory Prepayment of Revolving Credit Advances**. Borrowers must pay on DEMAND the amount by which at any time the unpaid principal balance of the Revolving Credit Note exceeds the Borrowing Base.

ARTICLE IV.
SECURITY

4.01 **Collateral**. To secure full and complete payment and performance of the Obligations, Borrowers and each Guarantor shall execute and deliver or cause to be executed and delivered all of the Security Documents required by Lender covering the Property and Collateral described in such Security Documents. Each Obligated Party shall execute and cause to be executed such further documents and instruments, including without limitation, Uniform Commercial Code financing statements, as Lender, in its sole discretion, deems necessary or desirable to create, evidence, preserve, and perfect its liens and security interests in the Collateral.

4.02 **Setoff**. If an Event of Default shall have occurred and be continuing, Lender shall have the right to set off and apply against the Obligations in such manner as Lender may determine, at any time and without notice to Borrowers, any and all deposits (general or special, time or demand, provisional or final) or other sums at any time credited by or owing from Lender to Borrowers whether or not the Obligations are then due. As further security for the Obligations, Borrowers hereby grant to Lender a security interest in all money, instruments, and other property of Borrowers now or hereafter held by Lender, including, without limitation, property held in safekeeping. In addition to Lender's right of setoff and as further security for the Obligations, Borrowers hereby grant to Lender a security interest in all deposits (general or special, time or demand, provisional or final) and other accounts of Borrowers now or hereafter on deposit with or held by Lender and all other sums at any time credited by or owing from Lender to Borrowers. The rights and remedies of Lender hereunder are in addition to other rights and remedies (including, without limitation, other rights of setoff) which Lender may have.

ARTICLE V.
CONDITIONS PRECEDENT

5.01 **Initial Extension of Credit**. The obligation of Lender to make the initial Advance under any Note is subject to the condition precedent that Lender shall have received on or before the day of such Advance all of the following, each dated (unless otherwise indicated) the date hereof, in form and substance satisfactory to Lender:

(a) **Resolutions**. Resolutions of the applicable governing body of each Borrower and each other Obligated Party which authorize the execution, delivery, and performance by such Person of this Agreement and the other Loan Documents to which such Person is or is to be a party;

(b) **Incumbency Certificate**. A certificate of incumbency certified by a Responsible Officer certifying the names of the individuals or other Persons authorized to sign this Agreement and each of the other Loan Documents to which each Borrower and each other Obligated Party is or is to be a party (including the certificates contemplated herein) on behalf of such Person together with specimen signatures of such individual Persons;

(c) **Constituent Documents**. The Constituent Documents for each Borrower and each other Obligated Party certified as of a date acceptable to Lender by the appropriate government officials of the state of incorporation or organization of each such party;

(d) **Governmental Certificates**. Certificates of the appropriate government officials of the state of incorporation or organization of each Borrower, each other Obligated Party and each Pledgor as to the existence and good standing of each such party, each dated within fifteen (15) days (or such longer period acceptable to Lender) prior to the date of the initial Advance;

(e) **Notes**. The Notes executed by Borrowers;

(f) **Intercreditor Agreement**. A fully executed copy of the Intercreditor Agreement;

(g) **Term Loan Documents**. Executed copies of the Term Loan Documents in form reasonably acceptable to Lender;

(h) **Preferred Equity Subordination Agreement**. A fully executed copy of the Preferred Equity Subordination Agreement;

(i) **Security Documents**. The Security Documents executed by Borrowers, the other Obligated Parties and the Pledgors;

(j) **Financing Statements**. UCC financing statements reflecting each of the Obligated Parties, as debtors, and Lender, as secured party, which are required to grant a Lien which secures the Obligations and covering such Collateral as Lender may request;

(k) **Insurance Matters**. Copies of insurance certificates describing all insurance policies required by ***Section 7.05*** together with loss payable and lender endorsements in favor of Lender with respect to all insurance policies covering Collateral;

(l) **UCC Search**. The results of a Uniform Commercial Code search showing all financing statements and other documents or instruments on file against each Borrower, and each other Obligated Party in the appropriate filing offices, such search to be as of a date no more than fifteen (15) days (or such longer period acceptable to Lender) prior to the date of the initial Advance;

(m) **Attorneys' Fees and Expenses**. Evidence that the costs and expenses (including reasonable attorneys' fees) referred to in ***Section 11.01***, to the extent incurred, shall have been paid in full by Borrowers;

(n) **KYC Information**.

(i) Upon the reasonable request of Lender made at least five (5) days prior to the date hereof, Borrowers shall have provided to Lender, and Lender shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act; and

(ii) At least five (5) days prior to the date hereof, if any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, such Borrower shall deliver, to Lender, a Beneficial Ownership Certification in relation to such Borrower;

(o) **Existing Debt of Obligated Parties**. All of the existing Debt of each Obligated Party (*other than* Debt permitted to exist pursuant to ***Section 8.01***) will be repaid in full and all security interests related thereto shall be terminated on or prior to the date hereof;

(p) **Opinions of Counsel**. Customary opinions of legal counsel to Borrowers, each Obligated Party and each Pledgor as to such other matters as Lender may reasonably request;

(q) **Closing Fees**. Evidence that the Commitment Fee and any other fees due at closing have been paid;

(r) **Quality of Earnings**. Receipt, review and approval of a quality of earnings report on Borrowers, evidencing a minimum EBITDA of not less than $6,000,000 for the trailing twelve-month period ending June 30, 2020, in form and substance acceptable to Lender; and

(s) **Orange 142 Acquisition**. Copies of all fully executed material documents evidencing the Orange 142 Acquisition and evidence that the Orange 142

Acquisition has been consummated in accordance with the terms thereof and the requirements of any Governmental Authority.

(t) **Huddled Masses Notes**. An executed copy of the Huddled Masses Notes executed by the parties thereto.

5.02 **All Extensions of Credit**. The obligation of Lender to make any Advance or issue any Letter of Credit (including the initial Advance and the initial Letter of Credit) is subject to the following additional conditions precedent:

(a) **Request for Advance or Letter of Credit**. Lender shall have received in accordance with this Agreement, as the case may be, an Advance Request Form or Letter of Credit Request Form pursuant to Lender's requirements dated the date of such Advance or Letter of Credit and executed by a Responsible Officer of Borrowers;

(b) **No Default**. No Event of Default shall have occurred and be continuing, or would result from or after giving effect to such Advance or Letter of Credit as evidenced by a Compliance Certificate;

(c) **No Material Adverse Event** No Material Adverse Event has occurred, and no circumstance exists that could be a Material Adverse Event;

(d) **Representations and Warranties**. All of the representations and warranties contained in ***Article VI*** hereof and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such Advance with the same force and effect as if such representations and warranties had been made on and as of such date, except that for purposes of this ***Section 5.02(d)***, the representations and warranties contained in ***Section 6.02*** shall be deemed to refer to (i) Borrowers and the Subsidiaries and (ii) the most recent financial statements furnished pursuant to ***clauses (a)*** and ***(b)*** of ***Section 7.01*** and any representations and warranties made as of an earlier date shall be true and correct in all material respects as of such earlier date; and

(e) **Additional Documentation**. Lender shall have received such additional approvals, or documents as Lender or its legal counsel may reasonably request consistent with the transaction contemplated in this Agreement.

ARTICLE VI.
REPRESENTATIONS AND WARRANTIES

To induce Lender to enter into this Agreement, and except as set forth on the Schedules, Borrowers represents and warrants to Lender that:

6.01 **Corporate Existence**. Each Borrower and each Subsidiary (a) is duly incorporated or organized, as the case may be, validly existing, and in good standing under the laws of the jurisdiction of its incorporation or organization; (b) has all requisite power and authority to own its assets and carry on its business as now being or as proposed to be conducted; and (c) is qualified to do business in all jurisdictions in which the nature of its business makes such qualification necessary and where failure to so qualify could result in a Material Adverse Event. Each Borrower and each of the other Obligated Parties has the power and authority to execute, deliver, and perform its obligations under this Agreement and the other Loan Documents to which it is or may become a party.

6.02 **Financial Statements, Etc**. Borrowers have delivered to Lender audited financial statements of Borrowers as at and for the fiscal year ended December 31, 2019 and unaudited financial statements of Borrowers as of July 31, 2020. Such financial statements are true and correct, have been prepared in accordance with GAAP, and fairly and accurately present, on a consolidated basis, the financial condition of Borrowers as of the respective dates indicated therein and the results of operations for the respective periods indicated therein. No Borrower nor any Subsidiary nor any other Obligated Party has any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments, or unrealized or anticipated losses from any unfavorable commitments except as referred to or reflected in such financial statements. No Material Adverse Event has occurred since the effective date of the financial statements referred to in this ***Section 6.02***. All projections delivered by Borrowers to Lender have been prepared in good faith, with care and diligence and use assumptions that are reasonable under the circumstances at the time such projections were prepared and delivered to Lender and all such assumptions are disclosed in the projections (it being understood for purposes that such projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrowers, that no assurance is given that any particular projections will be realized, and that actual results may differ from the projected results). No Borrower nor any Subsidiary has any material Guarantees, contingent liabilities, liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, or any Hedge Agreement or other transaction or obligation in respect of derivatives, that are not reflected in the most-recent financial statements referred to in this ***Section 6.02***. Other than the Debt listed on ***Schedule 8.01***, Debt reflected on the financial statements delivered pursuant to ***Sections 1.01(j), 7.01(a)*** and ***7.01(b)***, and Debt otherwise permitted by ***Section 8.01***, each Borrower and each Subsidiary has no Debt.

6.03 **Action; No Breach**. The execution, delivery, and performance by each Borrower and each other Obligated Party of this Agreement and the other Loan Documents to which such Person is or may become a party and compliance with the terms and provisions hereof and thereof have been duly authorized by all requisite action on the part of such Person and do not and will not (a) violate or conflict with, or result in a breach of, or require any consent under (i) the Constituent Documents of such Person, (ii) any applicable law, rule, or regulation or any order, writ, injunction, or decree of any Governmental Authority or arbitrator, or (iii) any agreement or instrument to which such Person is a party or by which it or any of its Properties is bound or subject, or (b) constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of such Person.

6.04 **Operation of Business**. Borrowers and each of the Subsidiaries possess all licenses, permits, franchises, patents, copyrights, trademarks, and tradenames, or rights thereto, necessary to conduct their respective businesses substantially as now conducted and as presently proposed to be conducted, and Borrowers and each of the Subsidiaries are not in violation of any valid rights of others with respect to any of the foregoing.

6.05 **Litigation and Judgments**. There is no action, suit, investigation, or proceeding before or by any Governmental Authority or arbitrator pending, or to the knowledge of Borrowers, threatened against or affecting any Borrower or any of the Subsidiaries, that would, if adversely determined, would constitute a Material Adverse Event on the business, condition (financial or otherwise), operations, or properties of any Borrower or any of the Subsidiaries or the ability of any Borrower to pay and perform the Obligations. There are no outstanding judgments against any Borrower or any Subsidiary.

6.06 **Rights in Properties; Liens**. Borrowers and each of the Subsidiaries have good and indefeasible title to or valid leasehold interests in their respective Properties, including the Properties reflected in the financial statements described in ***Section 6.02***, and none of the Properties of Borrowers or any Subsidiary is subject to any Lien, except Permitted Liens.

6.07 **Enforceability**. This Agreement constitutes, and the other Loan Documents to which Borrowers or any other Obligated Party is a party, when delivered, shall constitute legal, valid, and binding obligations of such Person, enforceable against such Person in accordance with their respective terms, except as limited by bankruptcy, insolvency, or other laws of general application relating to the enforcement of creditors' rights.

6.08 **Approvals**. No authorization, approval, or consent of, and no filing or registration with, any Governmental Authority or third party is or will be necessary for the execution, delivery, or performance by Borrowers of this Agreement and the other Loan Documents to which each Borrower is or may become a party or the validity or enforceability thereof.

6.09 **Taxes**. Each Borrower and each Subsidiary have filed all tax returns (federal, state, and local) required to be filed, including all income, franchise, employment, Property, and sales tax returns, and have paid all of their respective liabilities for taxes, assessments, governmental charges, and other levies that are due and payable, except where the failure to file such tax returns or to pay such taxes would not reasonably be expected to result in a Material Adverse Event. No Borrower knows of any pending investigation of any Borrower or any of the Subsidiaries by any taxing authority or of any pending but unassessed tax liability of Borrowers or any of the Subsidiaries.

6.10 **Use of Proceeds; Margin Securities**. No Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations G, T, U, or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

6.11 **ERISA**. Each Plan that is intended to qualify under *Section 401(a)* of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the knowledge of Borrowers, nothing has occurred which would prevent, or cause the loss of, such qualification. No application for a funding waiver or an extension of any amortization period pursuant to *Section 412* of the Code has been made with respect to any Plan. There are no pending or, to the knowledge of Borrowers, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan. There has been no Prohibited Transaction or violation of the fiduciary responsibility rules with respect to any Plan. No ERISA Event has occurred or is reasonably expected to occur. No Plan has any Unfunded Pension Liability. No Obligated Party or ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under *Section 4007* of ERISA). No Obligated Party or ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under *Section 4219* of ERISA, would result in such liability) under *Section 4201* or *4243* of ERISA with respect to a Multiemployer Plan. No Obligated Party or ERISA Affiliate has engaged in a transaction that could be subject to *Section 4069* or *4212(c)* of ERISA.

6.12 **Disclosure**. No written statement, information, report, representation, or warranty made by any Borrower or any other Obligated Party in this Agreement or in any other Loan Document or furnished to Lender in connection with this Agreement or any of the transactions contemplated hereby contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to any Borrower which is a Material Adverse Event, or which might in the future be a Material Adverse Event that has not been disclosed in writing to Lender.

6.13 **Subsidiaries, Ventures, Etc**. Borrowers have no Subsidiaries, or joint ventures or partnerships other than those listed on ***Schedule 6.13*** and ***Schedule 6.13*** sets forth the jurisdiction of incorporation or organization of each such Person and the percentage of Borrowers' ownership interest in such Person. All of the outstanding capital stock or other ownership interest of each Person described in ***Schedule 6.13*** has been validly issued, is fully paid, and is non-assessable. There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock or similar options granted to employees or directors and directors' qualifying shares) of any nature relating to any Equity Interests of Borrowers or any Subsidiary, except as created by the Loan Documents. Each Subsidiary of Borrowers is a Subsidiary Guarantor (other than Orange 142 Advertising Canada, Inc.).

6.14 **Agreements**. No Borrower nor any Subsidiary is a party to any indenture, loan, or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate or other organizational restriction which could create or cause a Material Adverse Event on the business, condition (financial or otherwise), operations, or properties of Borrowers or any Subsidiary, or the ability of Borrowers to pay and perform its obligations under the Loan Documents to which it is a party. No Borrower nor any Subsidiary is in default in any material respect in the performance, observance, or fulfillment of any of the obligations, covenants, or conditions contained in any agreement or instrument material to its business to which it is a party.

6.15 **Compliance with Laws**. No Borrower nor any Subsidiary is in violation in any material respect of any law, rule, regulation, order, or decree of any Governmental Authority or arbitrator.

6.16 **Regulated Entities**. No Borrower nor any Subsidiary is (a) an "*investment company*" or a company "*controlled*" by an "*investment company*" within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other federal or state statute, rule or regulation limiting its ability to incur Debt, pledge its assets or perform its obligations under the Loan Documents.

6.17 Environmental Matters.

(a) Each Borrower, each Subsidiary, and all of their respective properties, assets, and operations are in compliance in all material respects with all Environmental Laws. No Borrower is aware of, nor has Borrower received notice of, any past, present, or future conditions, events, activities, practices, or incidents which may interfere with or prevent the compliance or continued compliance of Borrowers and the Subsidiaries with all Environmental Laws;

(b) Each Borrower and each Subsidiary have obtained all permits, licenses, and authorizations that are required under applicable Environmental Laws, and all such permits are in good standing and each Borrower and the Subsidiaries are in compliance with all of the terms and conditions of such permits except to the extent that it would not cause a Material Adverse Event;

(c) No Hazardous Materials exist on, about, or within or have been used, generated, stored, transported, disposed of on, or Released from any of the properties or assets of any Borrower or any Subsidiary except in accordance with Environmental Laws. The use which Borrowers and the Subsidiaries make and intend to make of their respective properties and assets will not result in the use, generation, storage, transportation, accumulation, disposal, or Release of any Hazardous Material on, in, or from any of their properties or assets except in accordance with Environmental Laws;

(d) No Borrower nor any Subsidiary nor any of their respective currently or previously owned or, to any Borrower's knowledge, leased properties or operations is subject to any outstanding or threatened order from or agreement with any Governmental Authority or other Person or subject to any judicial or docketed administrative proceeding with respect to (i) failure to comply with Environmental Laws, (ii) Remedial Action, or (iii) any Environmental Liabilities arising from a Release or threatened Release;

(e) There are no conditions or circumstances associated with the currently or previously owned or, to any Borrower's knowledge, leased properties or operations of any Borrower or any Subsidiary that could reasonably be expected to give rise to any Environmental Liabilities;

(f) No Borrower nor any of the Subsidiaries is a treatment, storage, or disposal facility requiring a permit under the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq*., regulations thereunder or any comparable provision of state law. Borrowers and the Subsidiaries are in compliance in all material respects with all applicable financial responsibility requirements of all Environmental Laws;

(g) No Borrower nor any Subsidiary has filed or failed to file any notice required under applicable Environmental Law reporting a Release except to the

extent that it would not cause a Material Adverse Event; and

(h) No Lien arising under any Environmental Law has attached to any property or revenues of any Borrower or the Subsidiaries except to the extent that it would not cause a Material Adverse Event.

6.18 **Intellectual Property**. All material copyrights, trademarks and patents owned or used by Borrowers and the Subsidiaries is listed, together with application or registration numbers, where applicable, in ***Schedule 6.18***. Each Person identified on ***Schedule 6.18*** owns, or is licensed to use, all intellectual property necessary to conduct its business as currently conducted except for such Intellectual Property the failure of which to own or license could be a Material Adverse Event. Each Person identified on ***Schedule 6.18*** will maintain the patenting and registration of all copyrights, trademarks and patents with the United States Patent and Trademark Office, the United States Copyright Office, or other appropriate Governmental Authority, and each Person identified on ***Schedule 6.18*** will promptly patent or register, as the case may be, all new copyrights, trademarks and patents and notify Lender in writing five (5) Business Days prior to filing any such new patent or registration.

6.19 **Foreign Assets Control Regulations and Anti-Money Laundering**. Each Obligated Party and each Subsidiary of each Obligated Party is and will remain in compliance in all material respects with all United States economic sanctions laws, Executive Orders and implementing regulations as promulgated by the United States Treasury Department's Office of Foreign Assets Control ("***OFAC***"), and all applicable anti-money laundering and counter-terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it. No Obligated Party and no Subsidiary, and to Borrowers' knowledge, no Affiliate, or any director, officer, employee, agent, affiliate or representative of any Obligated Party, is an individual or entity that is, or is owned or controlled by any individual or entity that is (a) currently the subject or target of any Sanctions, (b) a Person designated by the United States government on the list of the Specially Designated Nationals and Blocked Persons (the "***SDN List***") with which a United States Person cannot deal with or otherwise engage in business transactions, or included on HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List or any similar list enforced by any other relevant sanctions authority, (c) a Person who is otherwise the target of United States economic sanction laws such that a United States Person cannot deal or otherwise engage in business transactions with such Person, or (d) located, organized or resident in a Designated Jurisdiction.

6.20 **Patriot Act**. The Obligated Parties, each of their Subsidiaries, and, to Borrowers' knowledge, each of their Affiliates are in compliance with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B Chapter V, as amended), and all other enabling legislation or executive order relating thereto, (b) the Patriot Act, and (c) all other federal or state laws relating to "*know your customer*" and anti-money laundering rules and regulations. No part of the proceeds of any Revolving Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977.

6.21 **Solvency**. Direct Digital and its Subsidiaries, on a consolidated basis, are solvent and have not entered into any transaction with the intent to hinder, delay or defraud a creditor.

6.22 **Anti-Corruption Laws**. Each Obligated Party and each Subsidiary of each Obligated Party has conducted their businesses in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, and other similar anti-corruption legislation in other jurisdictions, and has instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

6.23 **Beneficial Ownership Regulation**. The information included in the Beneficial Ownership Certification is true and correct in all respects.

ARTICLE VII.
AFFIRMATIVE COVENANTS

Each Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding, or Lender has any Commitment hereunder, such Borrower will perform and observe the following positive covenants, unless Lender shall otherwise consent in writing:

7.01 **Reporting Requirements**. Borrowers will furnish to Lender:

(a) **Annual Financial Statements**. As soon as available, and in any event within one hundred twenty (120) days after the fiscal year of Borrowers, a copy of the annual audit report of Borrowers and the Subsidiaries for such fiscal year containing, on a consolidated and consolidating basis, balance sheets and statements of income, retained earnings, and cash flow as at the end of such fiscal year and for the twelve-month period then ended, in each case setting forth in comparative form the figures for the preceding fiscal year, all in reasonable detail and audited and certified by independent certified public accountants of recognized standing acceptable to Lender, to the effect that such report has been prepared in accordance with GAAP and containing no material qualifications or limitations on scope;

(b) **Monthly Financial Statements**. As soon as available, and in any event within thirty (30) days after the end of each calendar month, a copy of an unaudited financial report of Borrowers and the Subsidiaries as of the end of such month and for the portion of the fiscal year then ended, containing, on a consolidated and consolidating basis, balance sheets and statements of income, retained earnings, and cash flow, all in reasonable detail certified by a Responsible Officer of Borrowers to have been prepared in accordance with GAAP and to fairly and accurately present (subject to year-end audit adjustments) the financial condition and results of operations of Borrowers and the Subsidiaries, on a consolidated and consolidating basis, at the date and for the periods indicated therein;

(c) **Borrowing Base Report**. As soon as available, and in any event within thirty (30) days after the end of each calendar month, a Borrowing Base Report, in substantially the form of ***Exhibit A*** attached hereto, certified by a Responsible Officer of Borrowers;

(d) **Compliance Certificate**. As soon as available, and in any event within thirty (30) days after the end of each fiscal quarter of Borrowers thereafter, and together with the delivery of the financial statements required pursuant to ***Section 7.01(a)*** above, a Compliance Certificate executed by a Responsible Officer of Borrowers;

(e) **Management Letters**. Promptly upon receipt thereof, a copy of any management letter or written report submitted to Borrowers or any Subsidiary by independent certified public accountants with respect to the business, condition (financial or otherwise), operations, or properties of Borrowers or any Subsidiary;

(f) **Notice of Litigation**. Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any Governmental Authority or arbitrator affecting any Borrower or any Subsidiary which, if determined adversely to such Borrower or such Subsidiary, could cause or create a Material Adverse Event on the business, condition (financial or otherwise), operations, or properties of such Borrower or such Subsidiary;

(g) **Notice of Material Adverse Event** As soon as possible and in any event within five (5) Business Days after the occurrence thereof, written notice of

any event or circumstance that could reasonably be expected to result in a Material Adverse Event;

(h) **ERISA Reports**. Promptly after the filing or receipt thereof, copies of all reports, including annual reports, and notices which any Borrower or any Subsidiary files with or receives from the PBGC or the U.S. Department of Labor under ERISA; and as soon as possible and in any event within ten (10) days after any Borrower or any Subsidiary knows or has reason to know that any Reportable Event or Prohibited Transaction has occurred with respect to any Plan or that the PBGC or any Borrower or any Subsidiary has instituted or will institute proceedings under Title IV of ERISA to terminate any Plan, a certificate of a Responsible Officer of such Borrower setting forth the details as to such Reportable Event or Prohibited Transaction or Plan termination and the action that such Borrower proposes to take with respect thereto;

(i) **Annual Projections**. As soon as available, but in any event not more than forty five (45) days after the end of each fiscal year of Borrowers, forecasts prepared by management of Borrowers and approved by the members of Borrowers, in form and substance reasonably satisfactory to Lender, of financial projections of Borrowers and the Subsidiaries on a monthly basis for the current fiscal year;

(j) **KYC**. Promptly following any request therefor, Borrowers shall provide information and documentation reasonably requested by Lender for purposes of compliance with applicable "know your customer" requirements under the Patriot Act, the Beneficial Ownership Regulation or other applicable anti-money laundering laws, including but not limited to a Beneficial Ownership Certification form acceptable to Lender; and

(k) **General Information**. Promptly, such other information concerning Borrowers, or any Subsidiary or Obligated Party as Lender may from time to time reasonably request.

7.02 **Maintenance of Existence; Conduct of Business**. Borrowers will preserve and maintain, and will cause each Subsidiary to preserve and maintain, its existence and all of its leases, privileges, licenses, permits, franchises, qualifications, and rights the failure of which to maintain would result in a Material Adverse Event. Borrowers will conduct, and will cause each Subsidiary to conduct, its business in an orderly and efficient manner in accordance with good business practices. Without limitation, Borrowers will not make (and will not permit any of the Subsidiaries to make) any material change in its credit collection policies if such change would materially impair the collectability of any account, nor will it rescind, cancel or modify any account except in the ordinary course of business.

7.03 **Maintenance of Properties**. Borrowers will maintain, keep, and preserve, and cause each Subsidiary to maintain, keep, and preserve, all of its Properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition.

7.04 **Taxes and Claims**. Borrowers will pay or discharge, and will cause each Subsidiary to pay or discharge, at or before maturity or before becoming delinquent (a) all taxes, levies, assessments, and governmental charges imposed on it or its income or profits or any of its property, and (b) all lawful claims for labor, material, and supplies, which, if unpaid, might become a Lien upon any of its property; provided, however, that no Borrower nor any Subsidiary shall be required to pay or discharge (i) any tax, levy, assessment, or governmental charge or (ii) such Lien for labor, material or supplies, which is (y) being contested in good faith by appropriate proceedings diligently pursued, and for which adequate reserves have been established or (z) where such failure to pay or discharge would not reasonably be expected to result in a Material Adverse Event.

7.05 **Insurance**.

(a) Borrowers shall, and shall cause each of the Subsidiaries to, maintain insurance with financially sound and reputable insurance companies in such amounts and covering such risks as is usually carried by corporations engaged in similar businesses and owning similar Properties in the same general areas in which Borrowers and the Subsidiaries operate, *provided that* in any event Borrowers will maintain and cause each of the Subsidiaries to maintain workmen's compensation insurance, property insurance, comprehensive general liability insurance, reasonably satisfactory to Lender. Each insurance policy covering Collateral shall name Lender as loss payee and each insurance policy covering liabilities shall name Lender as additional insured, and each such insurance policy shall provide that such policy will not be cancelled or reduced without thirty (30) days prior written notice to Lender.

(b) During the continuance of an Event of Default, all proceeds of insurance shall be paid over to Lender for application to the Obligations. So long as no Event of Default is continuing, subject to ***Section 7.05(c)***, all proceeds of insurance in excess of $50,000 shall be paid over to Lender for application to the Obligations.

(c) Borrowers may apply the net proceeds of a casualty or condemnation (each a "***Loss***") to the repair, restoration, or replacement of the assets suffering such Loss, so long as (i) such repair, restoration, or replacement is completed within two hundred seventy (270) days after the date of such Loss (or such longer period of time agreed to in writing by Lender), (ii) while such repair, restoration, or replacement is underway, all of such net proceeds are on deposit with Lender in a separate deposit account over which Lender has exclusive control, and (iii) such Loss did not cause an Event of Default. If an Event of Default occurs pursuant to which Lender exercises its rights to accelerate the Obligations as provided in ***Section 10.02*** or such repair, restoration, or replacement is not completed within two hundred seventy (270) days of the date of such Loss (or such longer period of time agreed to in writing by Lender), then Lender may immediately and without notice to any Person apply all of such net proceeds to the Obligations, regardless of any other prior agreement regarding the disposition of such net proceeds.

7.06 **Inspection Rights**. Upon reasonable prior notice to Borrowers from Lender, and at any reasonable time and from time to time, Borrowers shall, and shall cause each of the Subsidiaries to, (a) permit representatives of Lender to examine, inspect, review, evaluate and make physical verifications and appraisals of the inventory and other Collateral in any manner and through any medium that Lender considers advisable, (b) to examine, copy, and make extracts from its books and records, (c) to visit and inspect its Properties, and (d) to discuss its business, operations, and financial condition with its officers, employees, and independent certified public accountants, in each instance, at Borrowers' expense; provided, that so long as no Default or Event of Default has occurred and is continuing such inspection rights shall be limited to no more than twice per calendar year.

7.07 **Keeping Books and Records**. Borrowers will maintain, and will cause each Subsidiary to maintain, proper books of record and account in which full, true, and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities.

7.08 **Compliance with Laws**. Borrowers will comply, and will cause each Subsidiary to comply, in all material respects with all applicable laws, rules, regulations, orders, and decrees of any Governmental Authority or arbitrator.

7.09 **Compliance with Agreements**. Borrowers will comply, and will cause each Subsidiary to comply, in all material respects with all agreements, contracts, and instruments binding on it or affecting its properties or business.

7.10 **Further Assurances**. Borrowers will, and will cause each Subsidiary to, execute and deliver such further agreements and instruments and take such further

action (including promptly completing any registration or stamping of documents as may be applicable) as may be requested by Lender to carry out the provisions and purposes of this Agreement and the other Loan Documents and to create, preserve, and perfect the Liens of Lender in the Collateral.

7.11 **ERISA**. Borrowers will comply, and will cause each Subsidiary to comply, with all minimum funding requirements, and all other material requirements, of ERISA, if applicable, so as not to give rise to any liability thereunder.

7.12 **Depository Relationship**. To induce Lender to establish the interest rates provided for in the Notes, Borrowers shall, and shall cause each of the Subsidiaries to, within ninety (90) days after the date of this Agreement, use Lender as its principal depository bank and Borrowers shall, and shall cause each of the Subsidiaries to, maintain Lender as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts.

7.13 **Subsidiaries**. Concurrently upon the formation or acquisition of any Subsidiary after the date hereof (an "***After-Acquired Subsidiary***"), Borrowers shall cause the After-Acquired Subsidiary to deliver all of its Constituent Documents to Lender and (a) if such Subsidiary is a Domestic Subsidiary, execute a Guaranty in favor of Lender and such Loan Documents as shall be required by Lender to create first priority Liens in the Priority Collateral and second priority Liens in the Term Loan Priority Collateral (in each case, subject to Liens permitted under ***Section 8.02***) in favor of Lender in such After-Acquired Subsidiary's assets and such other documents as Lender deems reasonably necessary in connection with such actions and execute any other amendment to this Agreement as deemed necessary by Lender and (b) execute and deliver or cause to be delivered to Lender all Security Documents, stock certificates, stock powers and other agreements and instruments as may be requested by Lender to ensure that Lender has a perfected Lien on all Priority Collateral held by Borrowers or any other Obligated Party with respect to such Subsidiary.

7.14 **Keepwell**. Borrowers hereby absolutely, unconditionally and irrevocably undertake to provide such funds or other support to each Specified Obligated Party with respect to such Hedge Obligations as may be needed by such Specified Obligated Party from time to time to honor all of its obligations under its Guaranty and the other Loan Documents in respect of such Hedge Obligations and to cause such Specified Obligated Party to be an Eligible Contract Participant (as defined in the Commodity Exchange Act) with respect to all Hedge Obligations (but, in each case, only up to the maximum amount of such liability that can be hereby incurred without rendering Borrowers' obligations and undertakings under this ***Section 7.14*** voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations and undertakings of Borrowers under this ***Section 7.14*** shall remain in full force and effect until the Obligations have been indefeasibly paid and performed in full. Borrowers intend this ***Section 7.14*** to constitute, and this ***Section 7.14*** shall be deemed to constitute, a Guarantee of the obligations of, and a "*keepwell, support, or other agreement*" (as defined in the Commodity Exchange Act) for the benefit of, each Specified Obligated Party for all purposes of the Commodity Exchange Act.

7.15 **Deposit Account Control Agreements**. No Borrower shall maintain any deposit accounts, except with respect to which the Lender has notice, setting forth the information included for Accounts on Schedule 3.10 to the Security Agreement. Each deposit account maintained by any Borrower shall be subject to an account control agreement satisfactory in form and substance satisfactory to the Lender, provided that no account control agreement shall be required during the first 30 days after the date hereof with respect to deposit accounts identified on Schedule 3.10 to the Security Agreement with Silicon Valley Bank, Investar Bank or JPMorgan Chase (the "***Transition Deposit Accounts***"). Within 30 days after the date hereof, the applicable Borrower maintaining any Transition Deposit Account shall either (i) transfer all funds in such Transition Deposit Account to another deposit account then subject to an account control agreement satisfactory in form and substance to the Lender and close such Transition Deposit Account or (ii) enter into an account control agreement satisfactory in form and substance to the Lender with respect to such Transition Deposit Account.

7.16 **Management Fee Subordination Agreement** Within fifteen (15) days of the date hereof, Direct Digital, Keith Smith and Mark Walker will enter into subordination agreements in form and substance reasonably acceptable to the Lender with respect to the management fees payable under and pursuant to the Board Services and Consulting Agreements each dated as of September 30, 2020, by and between Direct Digital, on the one hand, and Keith Smith and Mark Walker on the other hand.

ARTICLE VIII.
NEGATIVE COVENANTS

Each Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding, or Lender has any Commitment hereunder, Borrower will perform and observe the following negative covenants, unless Lender shall otherwise consent in writing:

8.01 **Debt**. No Borrower will incur, create, assume, or permit to exist, and will not permit any Subsidiary to incur, create, assume, or permit to exist, any Debt (other than Permitted Indebtedness), unless

(a) There is not then an Event of Default or Default that has occurred and is continuing;

(b) Such Debt constitutes Subordinated Debt and matures after the Maturity Date; and

(c) After giving effect to such additional Debt, such Borrower's Debt is less than 2.5 times its EBITDA over the preceding 12 month period as reported in its most recent quarterly or annual financial statements.

8.02 **Limitation on Liens**. No Borrower will incur, create, assume, or permit to exist, and will not permit any Subsidiary to incur, create, assume, or permit to exist, any Lien upon any of its property, assets, or revenues, whether now owned or hereafter acquired, other than Permitted Liens.

8.03 **Mergers, Etc**. No Borrower will, nor will it permit any Subsidiary to, become a party to a merger or consolidation, or any Acquisition, or wind-up, dissolve, or liquidate, including, in each case, pursuant to a Delaware LLC Division, other than the Orange 142 Acquisition.

8.04 **Restricted Payments**. No Borrower shall, and nor shall it allow any Subsidiary to, (a) repurchase or redeem any class of stock or other Equity Interest other than (i) pursuant to employee, director or consultant repurchase plans or other similar agreements; provided, however, in each case (other than any such repurchase or redemption in the ordinary course of business in connection with an employee incentive plan) the repurchase or redemption price does not exceed the original consideration paid for such stock or Equity Interest, (ii) the conversion of any of its convertible securities into other securities of such Borrower pursuant to the terms of such convertible securities or (iii) the payment of cash in lieu of fractional shares upon the conversion of any such convertible securities, not to exceed $500,000 in the aggregate; (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other Equity Interest, except (i) that a Subsidiary may pay dividends or make distributions to any Borrower and such Borrower may make Permitted Tax Distributions to its direct and indirect equity holders and (ii) as expressly permitted under the terms of the Preferred Equity Subordination Agreement and ***Section 8.18*** hereof; (c) lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of $250,000 in the aggregate at any one time outstanding; (d) waive, release or forgive any Indebtedness owed by any employees, officers or directors in excess of $250,000 in the aggregate, or (e) make any payments on Subordinated Debt (collectively, "***Restricted Payments***") unless:

(a) There shall not than be an Event of Default or Default that has occurred and is continuing, and

(b) Both before and after giving effect to such Restricted Payment, (i) each of the Financial Covenants in Article IX shall be satisfied and (ii) the Borrowers' Total Debt shall be less than 2.5 times their EBITDA over the preceding 12 month period reported in its most recent quarterly or annual financial statements.

8.05 **Loans and Investments**. No Borrower will make, and will not permit any Subsidiary to make, any advance, loan, extension of credit, or capital contribution to or investment in, or purchase, or permit any Subsidiary to purchase, any stock, bonds, notes, debentures, or other securities of, any Person, other than Permitted Investments.

8.06 **Limitation on Issuance of Equity**. Except as permitted by Sections 8.08 and 8.18, no Borrower will, nor will it permit any Subsidiary to, at any time issue, sell, assign, or otherwise dispose of (a) any of its Equity Interests, (b) any securities exchangeable for or convertible into or carrying any rights to acquire any of its Equity Interests, or (c) any option, warrant, or other right to acquire any of its Equity Interests.

8.07 **Transactions with Affiliates** . No Borrower will enter into, nor will it permit any Subsidiary to enter into, any transaction, including, without limitation, the purchase, sale, or exchange of property or the rendering of any service, with any Affiliate of such Borrower or such Subsidiary, except in the ordinary course of and pursuant to the reasonable requirements of such Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to such Borrower or such Subsidiary than would be obtained in a comparable arm's-length transaction with a Person not an Affiliate of Borrowers or such Subsidiary.

8.08 **Disposition of Assets**. No Borrower will sell, lease, assign, transfer, or otherwise dispose of any of its assets, or permit any Subsidiary to do so with any of its assets, except (a) dispositions of inventory in the ordinary course of business or (b) dispositions, for fair value, of worn-out and obsolete equipment not necessary or useful to the conduct of business.

8.09 **Sale and Leaseback**. No Borrower will enter into, nor will it permit any Subsidiary to enter into, any arrangement with any Person pursuant to which it leases from such Person real or personal property that has been or is to be sold or transferred, directly or indirectly, by it to such Person.

8.10 **Nature of Business**. No Borrower will, nor will it permit any Subsidiary to, engage in any business other than the businesses in which they are engaged as of the date hereof and businesses reasonably related thereto and logical extensions thereof.

8.11 **Environmental Protection**. No Borrower will, nor will it permit any Subsidiary to, (a) use (or permit any tenant to use) any of their respective properties or assets for the handling, processing, storage, transportation, or disposal of any Hazardous Material, (b) generate any Hazardous Material, (c) conduct any activity that is likely to cause a Release or threatened Release of any Hazardous Material, or (d) otherwise conduct any activity or use any of their respective properties or assets in any manner that is likely to violate any Environmental Law or create any Environmental Liabilities for which Borrowers or any Subsidiary would be responsible.

8.12 **Accounting**. No Borrower will, nor will it permit any Subsidiary to, change its fiscal year or make any change (a) in accounting treatment or reporting practices, except as required by GAAP and disclosed to Lender, or (b) in tax reporting treatment, except as required by law and disclosed to Lender.

8.13 **No Negative Pledge**. No Borrower will, nor will it permit any Subsidiary to, enter into or permit to exist any arrangement or agreement, other than pursuant to this Agreement, any Loan Document, or the Term Loan Documents, which directly or indirectly prohibits any Borrower or any Subsidiary from creating or incurring a Lien on any of its assets.

8.14 **Subsidiaries**. No Borrower will, directly or indirectly, form or acquire any Subsidiary unless such Subsidiary complies with the requirements of ***Section 7.13***.

8.15 **Hedge Agreements**. No Borrower will, nor shall it permit any Subsidiary to, enter into any Hedge Agreement, except (a) Hedge Agreements entered into to hedge or mitigate risks to which Borrowers or any Subsidiary have actual exposure (other than those in respect of Equity Interests or any Term Loan Debt) which have terms and conditions reasonably acceptable to Lender, and (b) other Hedge Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any Debt of Borrowers or any Subsidiary which have terms and conditions reasonably acceptable to Lender.

8.16 **OFAC**. No Borrower will, nor shall it permit any Subsidiary to, fail to comply with the laws, regulations and executive orders referred to in ***Sections 6.19*** and ***6.20***. No Borrower shall, directly or indirectly, use the proceeds of any Loan, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other individual or entity, to fund any activities of or business with any individual or entity, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any individual or entity of Sanctions.

8.17 **Payments under Term Loan Agreement**. No Borrower will, nor will it permit any Subsidiary to, directly or indirectly, make any optional or voluntary payment, prepayment, repurchase or redemption of any Term Loan Debt not otherwise permitted under the terms of the Intercreditor Agreement.

8.18 **Payments on Preferred Equity.** No Borrower will, nor will it permit any Subsidiary to, directly or indirectly, make any optional or voluntary payment, prepayment, repurchase or redemption on any Preferred Equity not otherwise permitted under the terms of the Preferred Equity Subordination Agreement.

ARTICLE IX.
FINANCIAL COVENANTS

Each Borrower covenants and agrees that, as long as the Obligations or any part thereof are outstanding, or Lender has any Commitment hereunder, such Borrower will, at all times, observe and perform the following financial covenants, unless Lender shall otherwise consent in writing.

9.01 **Fixed Charge Coverage Ratio**. Borrowers will maintain a Fixed Charge Coverage Ratio of not less than 1.25 to 1.0, beginning with the fiscal quarter of Borrowers ending September 30, 2020. This ratio shall be calculated at the end of each fiscal quarter of Borrowers using the results of the twelve-month period ending with such fiscal quarter end.

9.02 **Total Leverage Ratio**. Borrowers will maintain a Total Leverage Ratio not to exceed the ratio set forth in the following table:

December 31, 2020	3.00:1.00
March 31, 2021	3.00:1.00
June 30, 2021	2.75:1:00
September 30, 2021	2.75:1:00
December 31, 2021	2.50:1:00
March 31, 2022	2.50:1:00
June 30, 2022	2.25:1:00
September 30, 2022	2.25:1:00
and thereafter	

This ratio shall be calculated at the end of each fiscal quarter of Borrowers using the results of the twelve-month period ending with such fiscal quarter end.

9.04 **Liquid Assets**. Borrowers and the Subsidiaries, on a consolidated basis, shall maintain minimum Liquid Assets at all times, in one or more accounts held with Lender *plus* Revolving Credit Availability in the amounts set forth in the following table:

September 30, 2020 – June 29, 2021	$1,000,000
June 30, 2021 – December 30, 2021	$1,100,000
December 31, 2021 – June 29, 2022	$1,250,000
June 30, 2022 and thereafter	$1,350,000

ARTICLE X.
DEFAULT

10.01 **Events of Default**. Each of the following shall be deemed an "*Event of Default*":

(a) Borrowers shall fail to pay the Obligations, or any part thereof shall not be paid when due or declared due and, other than with respect to payments of principal, such failure shall continue unremedied for three (3) days after such payment became due.

(b) Borrowers shall breach any provision of ***Section 7.01, Article VIII*** or ***Article IX*** of this Agreement.

(c) Any representation or warranty made or deemed made by any Borrower, any other Obligated Party or any Pledgor (or any of their respective officers) in any Loan Document or in any certificate, report, notice, or financial statement furnished at any time in connection with this Agreement shall be false, misleading, or erroneous in any material respect (without duplication of any materiality qualifier contained therein) when made or deemed to have been made.

(d) Any Borrower or any Obligated Party shall fail to perform, observe, or comply with any covenant, agreement, or term contained in this Agreement or any other Loan Document (other than as covered by ***Section 10.01(a)*** and ***(b)*** above), and such failure continues for more than thirty (30) days following the date such failure first began.

(e) Any Borrower, any Subsidiary, any Obligated Party or any Pledgor shall commence a voluntary proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or a substantial part of its property or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it or shall make a general assignment for the benefit of creditors or shall generally fail to pay its debts as they become due or shall take any corporate action to authorize any of the foregoing.

(f) Any Borrower, any Subsidiary, or any Obligated Party shall fail to pay when due any principal of or interest on any Debt in excess of $250,000 (other than the Obligations), or the maturity of any such Debt shall have been accelerated, or any such Debt shall have been required to be prepaid prior to the stated maturity thereof, or any event shall have occurred that permits (or, with the giving of notice or lapse of time or both, would permit) any holder or holders of such Debt or any Person acting on behalf of such holder or holders to accelerate the maturity thereof or require any such prepayment.

(g) This Agreement or any other Loan Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Borrowers, any Subsidiary, any Obligated Party, any Pledgor or any of their respective shareholders, or Borrowers, any Obligated Party or any Pledgor shall deny that it has any further liability or obligation under any of the Loan Documents, or any lien or security interest created by the Loan Documents shall for any reason cease to be a valid, first priority perfected security interest in and lien upon any Priority Collateral or a valid, a second priority perfected security interest in and lien upon the Term Loan Priority Collateral or any other Collateral purported to be covered thereby; provided that, Borrowers shall have fifteen (15) days to have this Agreement or any other Loan Document reinstated, or to have any such security interest perfected.

(h) Any of the following events shall occur or exist with respect to Borrowers: (i) any Prohibited Transaction involving any Plan; (ii) any Reportable Event with respect to any Plan; (iii) the filing under *Section 4041* of ERISA of a notice of intent to terminate any Plan or the termination of any Plan; (iv) any event or circumstance that might constitute grounds entitling the PBGC to institute proceedings under *Section 4042* of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan, or the institution by the PBGC of any such proceedings; or (v) complete or partial withdrawal under *Section 4201* or *4204* of ERISA from a Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan; and in each case above, such event or condition, together with all other events or conditions, if any, have subjected or could in the reasonable opinion of Lender subject Borrowers to any tax, penalty, or other liability to a Plan, a Multiemployer Plan, the PBGC, or otherwise (or any combination thereof) which in the aggregate could reasonably be expected to result in a Material Adverse Event.

(i) If a Guarantor or any other Obligated Party is a corporation, partnership or other entity, such Person shall be the subject of a bankruptcy or receivership proceeding or shall have dissolved, liquidated or otherwise ceased doing business.

(j) Any Borrower, any of the Subsidiaries, or any Obligated Party, or any of their material properties, revenues, or assets, shall become subject to an order of forfeiture, seizure, or divestiture (whether under RICO or otherwise) and the same shall not have been discharged within sixty (60) days from the date of entry thereof.

(k) A Change in Control shall occur.

(l) An involuntary proceeding shall be commenced against any Borrower, any Subsidiary, any Obligated Party or any Pledgor seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official for it or a substantial part of its property, and such involuntary proceeding shall remain undismissed and unstayed for a period of sixty (60) days.

(m) Any Borrower, any Subsidiary or any Obligated Party shall fail to discharge within a period of thirty (30) days after the commencement thereof any attachment, sequestration, or similar proceeding or proceedings involving an aggregate amount in excess of Two Hundred Fifty Thousand Dollars ($250,000) against any of its assets or properties.

(n) A final judgment or judgments for the payment of money in excess of Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate shall be rendered by a court or courts against any Borrower, any of the Subsidiaries, or any Obligated Party and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof and such Borrower or the relevant Subsidiary or Obligated Party shall not, within said period of thirty (30) days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal.

(o) An Event of Default (as defined in the Term Loan Agreement) under the Term Loan Documents shall occur and be continuing.

10.02 **Remedies Upon Default**. If any Event of Default shall occur and be continuing, Lender may without notice terminate the Commitment and declare the Obligations or any part thereof to be immediately due and payable, and the same shall thereupon become immediately due and payable, without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are, to the maximum extent permitted by law, hereby expressly waived by Borrowers; provided, however, that upon the occurrence of an Event of Default under ***Section 10.01(e)*** or ***Section 10.01(l)***, and so long as continuing, the Commitment shall automatically terminate, and the Obligations shall become immediately due and payable without notice, demand, presentment, notice of dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, protest, or other formalities of any kind, all of which are, to the maximum extent permitted by law, hereby expressly waived by Borrowers. If any Event of Default shall occur and be continuing, Lender may exercise all rights and remedies available to it in law or in equity, under the Loan Documents, or otherwise.

10.03 **Performance by Lender**. If Borrowers shall fail to perform any covenant or agreement contained in any of the Loan Documents, Lender may perform or attempt to perform such covenant or agreement on behalf of Borrowers. In such event, Borrowers shall, at the request of Lender, promptly pay any amount reasonably expended by Lender in connection with such performance or attempted performance to Lender, together with interest thereon at the Default Interest Rate from and including the date of such expenditure to but excluding the date such expenditure is paid in full. Notwithstanding the foregoing, it is expressly agreed that Lender shall not have any liability or responsibility for the performance of any obligation of Borrowers under this Agreement or any other Loan Document.

10.04 **Equity Cure**. Notwithstanding the foregoing, and subject to the last sentence of this Section 10.04, the Borrowers may cure (and shall be deemed to have cured) (any such cure, an "***Equity Cure***") an Event of Default arising out of a breach of any of the financial covenants set forth in Sections 9.01, 9.02 or 9.03 (the "***Specified Financial Covenants***") if (i) the Borrowers receive, within 10 Business Days after the date on which the Specified Financial Covenants are first required to be tested pursuant to the terms hereof, cash proceeds in an amount which, if treated as income for the preceding fiscal quarter, would result in compliance with such Specified Financial Covenants, and (ii) Lender receives written notice from the Borrowers that such payment has been made and that it is to be deemed an Equity Cure hereunder. Upon any Equity Cure of a Specified Financial Covenant, any Event of Default that occurred and is continuing from a breach of such Specified Financial Covenant shall be deemed cured with no further action required by Lender. An Equity Cure may not be used to cure an Event of Default more than twice in any calendar year (or be in an aggregate amount of such cash proceeds in any calendar year of more than $2,000,000), or more than four times during the term of this Agreement (including any extension thereof), or be in an amount greater than necessary to cure the Specified Financial Covenants.

ARTICLE XI.
MISCELLANEOUS

11.01 **Expenses**. Each Borrower hereby agrees, jointly and severally, to pay on demand: (a) all reasonable and documented costs and out-of-pocket expenses of Lender in connection with the preparation, negotiation, execution, and delivery of this Agreement and the other Loan Documents and any and all amendments, modifications, renewals, extensions, and supplements thereof and thereto, including, without limitation, the reasonable fees and expenses of outside legal counsel, advisors, consultants, and auditors for Lender; (b) all costs and expenses of Lender in connection with any Default and the enforcement of this Agreement or any other Loan Document, including, without limitation, the reasonable and documented fees and out-of-pocket expenses of legal counsel, advisors, consultants, and auditors for Lender; (c) all transfer, stamp, documentary, or other similar taxes, assessments, or charges levied by any Governmental Authority in respect of this Agreement or any of the other Loan Documents; (d) all reasonable and documented costs, expenses, assessments, and other charges incurred in connection with any filing, registration, recording, or perfection of any Lien contemplated by this Agreement or any other Loan Document; and (e) all other reasonable and documented costs and expenses incurred by Lender in connection with (i) this Agreement or any other Loan Document, (ii) the servicing and administration of the Obligations, (iii) any litigation, dispute, suit, proceeding or action arising from or related to the Obligations or any Loan Document, or (iv) the enforcement of its rights and remedies, and the protection of its interests in bankruptcy, insolvency or other legal proceedings, including, without limitation, all costs, expenses, and other charges incurred in connection with evaluating, observing, collecting, examining, auditing, appraising, selling, liquidating, or otherwise disposing of the Collateral or other assets of Borrowers. Each Borrower authorizes Lender, at its sole option, to (i) cause a Revolving Credit Advance on or after the date of this Agreement, (ii) debit any other Borrower account with Lender, or (iii) make demand upon Borrowers, for payment of all reasonable attorneys' fees and out-of-pocket expenses incurred by Lender in connection with the negotiation and documentation of this Agreement and the other Loan Documents by counsel retained by Lender, which attorney's fees and expenses become due through the date of this Agreement and/or after the date of this Agreement.

11.02 **INDEMNIFICATION**. EACH BORROWER SHALL INDEMNIFY LENDER AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, ATTORNEYS, AND AGENTS (COLLECTIVELY, THE "***INDEMNIFIED PARTIES***" AND INDIVIDUALLY AN "***INDEMNIFIED PARTY***") FROM, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS, DISBURSEMENTS, COSTS, AND EXPENSES (INCLUDING ATTORNEYS ' FEES) TO WHICH ANY OF THEM MAY BECOME SUBJECT WHICH DIRECTLY OR INDIRECTLY ARISE FROM OR RELATE TO (a) ANY OF THE LOAN DOCUMENTS INCLUDING THE NEGOTIATION, EXECUTION, DELIVERY, PERFORMANCE, ADMINISTRATION, OR ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS, (b) ANY OF THE TRANSACTIONS CONTEMPLATED BY THE LOAN DOCUMENTS, (c) ANY BREACH BY ANY BORROWER OF ANY REPRESENTATION, WARRANTY, COVENANT, OR OTHER AGREEMENT CONTAINED IN ANY OF THE LOAN DOCUMENTS, (d) ANY ACTION TAKEN OR NOT TAKEN BY LENDER (OR ANY TRUSTEE UNDER ANY SECURITY INSTRUMENT) THAT IS ALLOWED OR PERMITTED UNDER ANY OF THE LOAN DOCUMENTS, INCLUDING THE PROTECTION OR ENFORCEMENT OF ANY LIEN, SECURITY INTEREST, OR OTHER RIGHT, REMEDY, OR RECOURSE CREATED OR AFFORDED BY THE LOAN DOCUMENTS OR AT LAW OR IN EQUITY, (e) ANY DISPUTE AMONG OR BETWEEN ANY OF THE OBLIGATED PARTIES OR BETWEEN OR AMONG ANY PARTNERS, VENTURERS, EMPLOYEES, OFFICERS, DIRECTORS, SHAREHOLDERS, MEMBERS, MANAGERS, TRUSTEES, OR OTHER RESPONSIBLE PARTIES OF BORROWERS, (f) THE PRESENCE, RELEASE, THREATENED RELEASE, DISPOSAL, REMOVAL, OR CLEANUP OF ANY HAZARDOUS MATERIAL LOCATED ON, ABOUT, WITHIN, OR AFFECTING ANY OF THE PROPERTIES OR ASSETS OF BORROWERS OR ANY OF THE SUBSIDIARIES OR ANY OTHER OBLIGATED PARTY, (g) THE USE OR PROPOSED USE OF ANY LETTER OF CREDIT, (h) ANY AND ALL TAXES (OTHER THAN EXCLUDED TAXES), LEVIES, DEDUCTIONS, OR CHARGES IMPOSED ON LENDER OR ANY OF LENDER'S CORRESPONDENTS IN RESPECT OF ANY LETTER OF CREDIT, OR (i) ANY INVESTIGATION, LITIGATION, OR OTHER PROCEEDING, INCLUDING, WITHOUT LIMITATION, ANY THREATENED INVESTIGATION, LITIGATION, OR OTHER PROCEEDING, RELATING TO ANY OF THE FOREGOING INCLUDING THOSE BROUGHT OR INITIATED BY . WITHOUT LIMITING ANY PROVISION OF THIS AGREEMENT OR OF ANY OTHER LOAN DOCUMENT, IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT THE INDEMNIFIED PARTIES BE INDEMNIFIED FROM AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, JUDGMENTS,

DISBURSEMENTS, COSTS, AND EXPENSES (INCLUDING REASONABLE ATTORNEYS ' FEES) ARISING OUT OF OR RESULTING FROM THE STRICT LIABILITY, SOLE CONTRIBUTORY OR ORDINARY NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES; PROVIDED, HOWEVER, THAT THE INDEMNITY SET FORTH IN THIS ***SECTION 11.02*** WILL NOT APPLY TO CLAIMS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF LENDER OR ANY OF ITS OFFICERS, EMPLOYEES, AGENTS, ADVISORS, OR REPRESENTATIVES, AS DETERMINED BY A COURT OF COMPETENT JURISDICTION IN FINAL AND NON APPEALABLE JUDGMENT.

LENDER MAY EMPLOY AN ATTORNEY OR ATTORNEYS OF ITS OWN CHOOSING TO PROTECT OR ENFORCE ITS RIGHTS, REMEDIES, AND RECOURSES, AND TO ADVISE AND DEFEND THE INDEMNIFIED PARTIES WITH RESPECT TO THOSE ACTIONS AND OTHER MATTERS. EACH BORROWER SHALL REIMBURSE LENDER FOR THE ATTORNEYS ' REASONABLE FEES AND OUT-OF-POCKET EXPENSES (INCLUDING EXPENSES AND COSTS FOR EXPERTS AND/OR CONSULTANTS) OF THE INDEMNIFIED PARTIES IMMEDIATELY ON RECEIPT OF WRITTEN DEMAND FROM LENDER, WHETHER ON A MONTHLY OR OTHER TIME INTERVAL, AND WHETHER OR NOT AN ACTION IS ACTUALLY COMMENCED OR CONCLUDED. ALL OTHER REIMBURSEMENT AND INDEMNITY OBLIGATIONS UNDER THIS AGREEMENT SHALL BECOME DUE AND PAYABLE WHEN ACTUALLY INCURRED BY LENDER OR ANY OF THE OTHER THE INDEMNIFIED PARTIES. ANY PAYMENTS NOT MADE WITHIN TEN (10) DAYS AFTER WRITTEN DEMAND FROM LENDER SHALL BEAR INTEREST AT THE DEFAULT INTEREST RATE FROM THE DATE OF THAT DEMAND UNTIL FULLY PAID. THE PROVISIONS OF THIS ***SECTION 11.02*** SHALL SURVIVE REPAYMENT AND PERFORMANCE OF THE OBLIGATIONS, THE RELEASE OF ANY LIENS SECURING THE OBLIGATIONS, ANY FORECLOSURE (OR ACTION IN LIEU OF FORECLOSURE), THE TRANSFER BY ANY BORROWER OF ANY OF ITS RIGHTS, TITLE, AND INTERESTS IN OR TO ANY COLLATERAL SECURING THE OBLIGATIONS, AND THE EXERCISE BY LENDER OF ANY OR ALL REMEDIES SET FORTH IN ANY LOAN DOCUMENT. NOTWITHSTANDING THE FOREGOING THIS SECTION 11.02 SHALL NOT APPLY WITH RESPECT TO EXCLUDED TAXES OR TO ANY OTHER TAXES (OTHER THAN ANY TAXES THAT REPRESENT LOSSES, CLAIMS, DAMAGES, ETC. ARISING FROM ANY NON-TAX CLAIM.

11.03 **Limitation of Liability**. Neither Lender nor any Affiliate, officer, director, employee, attorney, or agent of Lender shall have any liability with respect to, and, to the maximum extent permitted by law, each Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by such Borrower in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. To the maximum extent permitted by law, each Borrower hereby waives, releases, and agrees not to sue Lender or any of Lender's Affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents.

11.04 **No Duty**. All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Lender shall have the right to act exclusively in the interest of Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to Borrowers or any of Borrowers' shareholders or any other Person.

11.05 **Lender Not Fiduciary**. The relationship between Borrowers and Lender is solely that of debtor and creditor, and Lender has no fiduciary or other special relationship with Borrowers, and no term or condition of any of the Loan Documents shall be construed so as to deem the relationship between Borrowers and Lender to be other than that of debtor and creditor.

11.06 **Equitable Relief**. Borrowers recognizes that in the event Borrowers fail to pay, perform, observe, or discharge any or all of the Obligations, any remedy at law may prove to be inadequate relief to Lender. Borrowers therefore agree that Lender, if Lender so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

11.07 **No Waiver; Cumulative Remedies**. No failure on the part of Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power, or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies provided for in this Agreement and the other Loan Documents are cumulative and not exclusive of any rights and remedies provided by law.

11.08 **Successors and Assigns**. This Agreement is binding upon and shall inure to the benefit of Lender and Borrowers and their respective successors and assigns, except that Borrowers may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Lender.

11.09 **Survival**. All representations and warranties made in this Agreement or any other Loan Document or in any document, statement, or certificate furnished in connection with this Agreement shall survive the execution and delivery of this Agreement and the other Loan Documents, and no investigation by Lender or any closing shall affect the representations and warranties or the right of Lender to rely upon them. Without prejudice to the survival of any other obligation of Borrowers hereunder, the obligations of Borrowers under ***Sections 11.01*** and ***11.02*** shall survive repayment of the Notes and termination of the Commitment.

11.10 **ENTIRE AGREEMENT; AMENDMENT** . THIS AGREEMENT, THE NOTES, AND THE OTHER LOAN DOCUMENTS REFERRED TO HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS, AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO. The provisions of this Agreement and the other Loan Documents to which Borrowers are parties may be amended or waived only by an instrument in writing signed by the parties hereto.

11.11 **Notices**. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including by facsimile transmission) and mailed, faxed or delivered, to the address, facsimile number or subject to the last sentence hereof electronic mail address specified for notices below the signatures hereon or to such other address as shall be designated by such party in a notice to the other parties. All such other notices and other communications shall be deemed to have been given or made upon the earliest to occur of (i) actual receipt by the intended recipient or (ii) (A) if delivered by hand or courier, when signed for by the designated recipient; (B) if delivered by mail, four (4) Business Days after deposit in the mail, postage prepaid; (C) if delivered by facsimile when sent and receipt has been confirmed by telephone; and (D) if delivered by electronic mail (which form of delivery is subject to the provisions of the last sentence below) when delivered; provided, however, that notices and other communications pursuant to ***Article II*** shall not be effective until actually received by Lender. Electronic mail and intranet websites may be used only to distribute only routine communications, such as financial statements and other information, and to distribute Loan Documents for execution by the parties thereto and may not be used for any other purpose.

11.12 **Governing Law; Venue; Service of Process**. THIS AGREEMENT AND ANY CONTROVERSY, DISPUTE, CLAIM OR CAUSE OF ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, ANY BREACH THEREOF, THE TRANSACTIONS CONTEMPLATED

THEREBY, OR ANY OTHER DISPUTE BETWEEN OR AMONG LENDER AND ANY OF THE OBLIGATED PARTIES (WHETHER IN CONTRACT, TORT OR OTHERWISE) SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS; *PROVIDED THAT* LENDER SHALL RETAIN ALL RIGHTS UNDER FEDERAL LAW. IF, FOR ANY REASON, A COURT OF COMPETENT JURISDICTION DETERMINES THAT TEXAS LAW SHOULD NOT APPLY TO THE PROVISIONS OF THE LOAN DOCUMENTS PERTAINING TO THE CREATION, PERFECTION, ENFORCEMENT, OR VALIDITY OF THE LIENS AND SECURITY INTERESTS CREATED PURSUANT TO THE APPLICABLE LOAN DOCUMENTS, THEN SUCH PROVISIONS (BUT ONLY THOSE PROVISIONS) SHALL BE GOVERNED BY, CONSTRUED, AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE APPLICABLE COLLATERAL IS LOCATED. THIS AGREEMENT HAS BEEN ENTERED INTO IN DALLAS COUNTY, TEXAS, AND IS PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. THE PARTIES HEREBY AGREE THAT ANY LAWSUIT, ACTION, OR PROCEEDING THAT IS BROUGHT (WHETHER IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE TRANSACTIONS CONTEMPLATED THEREBY, OR THE ACTS, CONDUCT, OR OMISSIONS OF LENDER OR ANY OF ITS AGENTS, SUCCESSORS OR ASSIGNS OR OF ANY OF THE OBLIGATED PARTIES IN THE NEGOTIATION, ADMINISTRATION OR ENFORCEMENT OF ANY OF THE LOAN DOCUMENTS SHALL BE BROUGHT IN A STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN DALLAS COUNTY, TEXAS. EACH BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS, (B) WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH LAWSUIT, ACTION, OR PROCEEDING BROUGHT IN ANY SUCH COURT, AND (C) FURTHER WAIVES ANY CLAIM THAT IT MAY NOW OR HEREAFTER HAVE THAT ANY SUCH COURT IS AN INCONVENIENT FORUM. EACH OF THE PARTIES HERETO AGREE THAT SERVICE OF PROCESS UPON IT MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED AT THE ADDRESS FOR NOTICES REFERENCED IN ***SECTION 11.11*** HEREOF.

11.13 **Counterparts**. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same agreement. Delivery of an executed signature page of this Agreement and all other documents executed in connection with the Loan by facsimile or other electronic mail transmission shall be effective as delivery of a manually executed counterpart hereof.

11.14 **Severability**. Any provision of this Agreement held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Agreement and the effect thereof shall be confined to the provision held to be invalid or illegal.

11.15 **Headings**. The headings, captions, and arrangements used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

11.16 **Participations, Etc**. Lender shall have the right at any time and from time to time to grant participations in, and sell and transfer, the Obligations and any Loan Documents; provided, that so long as no Default or Event of Default has occurred and is continuing, the Borrowers shall have the right to consent to any such sale or transfer of the Obligations. Each actual or proposed participant or assignee, as the case may be, shall be entitled to receive all information received by Lender regarding Borrowers and the Subsidiaries, including, without limitation, information required to be disclosed to a participant or assignee pursuant to Banking Circular 181 (Rev., August 2, 1984), issued by the Comptroller of the Currency (whether the actual or proposed participant or assignee is subject to the circular or not).

11.17 **Construction**. Borrowers and Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by Borrowers and Lender.

11.18 **Independence of Covenants**. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of a Default if such action is taken or such condition exists.

11.19 **WAIVER OF JURY TRIAL**. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH BORROWER HEREBY IRREVOCABLY AND EXPRESSLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY OR THE ACTIONS OF LENDER IN THE NEGOTIATION, ADMINISTRATION, OR ENFORCEMENT THEREOF. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS ***SECTION 11.19***.

11.20 **Additional Interest Provision**. It is expressly stipulated and agreed to be the intent of Borrowers and Lender at all times to comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the indebtedness evidenced by any Note, any Loan Document, and the Related Indebtedness (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to any Note, any of the other Loan Documents or any other communication or writing by or between Borrowers and Lender related to the transaction or transactions that are the subject matter of the Loan Documents, (ii) contracted for, charged, taken, reserved or received by reason of Lender's exercise of the option to accelerate the maturity of any Note and/or any and all indebtedness paid or payable by Borrowers to Lender pursuant to any Loan Document other than any Note (such other indebtedness being referred to in this ***Section*** as the "***Related Indebtedness***"), or (iii) Borrowers will have paid or Lender will have received by reason of any voluntary prepayment by Borrowers of any Note and/or the Related Indebtedness, then it is Borrowers' and Lender's express intent that all amounts charged in excess of the Maximum Lawful Rate shall be automatically canceled,*ab initio*, and all amounts in excess of the Maximum Lawful Rate theretofore collected by Lender shall be credited on the principal balance of any Note and/or the Related Indebtedness (or, if any Note and all Related Indebtedness have been or would thereby be paid in full, refunded to Borrowers), and the provisions of any Note and the other Loan Documents shall immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder; provided, however, if any Note has been paid in full before the end of the stated term of any such Note, then Borrowers and Lender agree that Lender shall, with reasonable promptness after Lender discovers or is advised by Borrowers that interest was received in an amount in excess of the Maximum Lawful Rate, either refund such excess interest to Borrowers and/or credit such excess interest against such Note and/or any Related Indebtedness then owing by Borrowers to Lender. Borrowers hereby agree that as a condition precedent to any claim seeking usury penalties against Lender, Borrowers will provide written notice to Lender, advising Lender in reasonable detail of the nature and amount of the violation, and Lender shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Borrowers or crediting such excess interest against the Note to which the alleged violation relates and/or the Related Indebtedness then owing by Borrowers to Lender. All sums contracted for, charged, taken, reserved or received by Lender for the use, forbearance or detention of any debt evidenced by any Note and/or the Related Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of such Note and/or the Related Indebtedness (including any and all renewal and

extension periods) until payment in full so that the rate or amount of interest on account of any Note and/or the Related Indebtedness does not exceed the Maximum Lawful Rate from time to time in effect and applicable to such Note and/or the Related Indebtedness for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to this Note and/or any of the Related Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

11.21 **Ceiling Election**. To the extent that Lender is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Lawful Rate payable on any such Note and/or any other portion of the Obligations, Lender will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303, as amended. To the extent United States federal law permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, Lender will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Lawful Rate. Additionally, to the extent permitted by applicable law now or hereafter in effect, Lender may, at its option and from time to time, utilize any other method of establishing the Maximum Lawful Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrowers as provided by applicable law now or hereafter in effect.

11.22 **USA Patriot Act Notice**. Lender hereby notifies Borrowers that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Borrowers, which information includes the names and addresses of Borrowers and other information that will allow Lender to identify Borrowers in accordance with the Patriot Act. Borrowers shall, promptly following a request by Lender, provide all documentation and other information that Lender requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act. Lender will require the legal entity to provide identifying information about each beneficial owner and/or individuals who have significant responsibility to control, manage or direct the legal entity.

11.23 **Intercreditor Legend.** Anything herein to the contrary notwithstanding, the Liens and security interests securing the obligations evidenced by this agreement, the exercise of any right or remedy with respect hereto and certain of the rights of the holder hereof are subject to the provisions of the Intercreditor Agreement, dated as of the date hereof (as amended, restated, supplemented, substituted, replaced or otherwise modified from time to time, the "***Intercreditor Agreement***"), by and between Silverpeak Credit Partners, LP (in its capacity as agent for the Silverpeak Facility Lenders and together with its successors and assigns, the "***Silverpeak Facility Agent***"), for and on behalf of the Silverpeak Facility Creditors and each other Silverpeak Facility Claimholder (each as defined in the Intercreditor Agreement) from time to time, and East West Bank, acting on behalf of each A/R Facility Claimholder (each as defined in the Intercreditor Agreement). In the event of any conflict between the terms of the Intercreditor Agreement and this agreement, the terms of the Intercreditor Agreement shall govern and control."

[***Remainder of Page Intentionally Left Blank;***
Signature Page Follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

BORROWERS:

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

COLOSSUS MEDIA, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

HUDDLED MASSES LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

ORANGE142, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

Address for Notices:

c/o Direct Digital Holdings, LLC

1233 West Loop South
Suite 1170
Houston, Texas 77027

Attention: Keith W. Smith
Email: ksmith@directdigitalholdings.com
Phone: 713.540.4545

Signature Page to
Credit Agreement

LENDER:

EAST WEST BANK, a California state bank

By: /s/ Hamilton LaRoe
Hamilton LaRoe
First Vice President

Address for Notices:

5001 Spring Valley Road; Suite 825W
Dallas, Texas 75244
Attention: Hamilton LaRoe
Email: Hamilton.LaRoe@EastWestBank.com

Signature Page to
Credit Agreement

SCHEDULES

6.13	Subsidiaries, Ventures, Etc.
6.18	Intellectual Property
7.05	Insurance
8.01	Existing Debt
8.02	Existing Liens
8.05	Existing Investments

EXHIBIT A

BORROWING BASE REPORT

FOR MONTH ENDED _____(THE "***SUBJECT QUARTER***")
BANK: EAST WEST BANK
BORROWERS: Direct Digital Holdings, LLC, a Texas limited liability company ("***Direct Digital***"), Colossus Media, LLC, a Delaware limited liability company ("***Colossus***"), Huddled Masses, LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***") and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with Direct Digital, Colossus, HM, and Orange, "***Borrowers***" and each individually a "***Borrower***")

This Certificate is delivered under the Credit Agreement (the "***Agreement***") dated as of September 30, 2020, by and among Borrowers and Bank as such may have been amended, supplemented or replaced. Capitalized terms used in this Certificate shall, unless otherwise indicated, have the meanings set forth in the Agreement. On behalf of Borrowers, the undersigned certifies to Bank on the date hereof that (a) no Default or Event of Default has occurred and is continuing, (b) a review of the activities of Borrowers during the Subject Month has been made under my supervision with a view to determining the amount of the current Borrowing Base, (c) the Accounts included in the Borrowing Base below meet all conditions to qualify for inclusion therein as set forth in the Agreement, and all representations and warranties set forth in the Agreement with respect thereto are true and correct in all material respects, and (d) the information set forth below hereto is true and correct as of the last day of the Subject Month.

	Accounts			
1.	Beginning Balance of Accounts	Date: _____		$ _____
2.	Plus Sales/Debits		(+)	$ _____
3.	Minus Collections		(-)	$ _____
4.	Minus Credit Memos/Other Credits		(-)	$ _____
5.	Ending Balance of Accounts	Date: _____		$ _____
6.	Ineligible Accounts (Per the A/R Ineligible Listing)		(-)	$ _____
7.	Eligible Accounts (Line 5 minus Line 6)			$ _____
8.	**Net Accounts Borrowing Base** (**Line 7 multiplied by Advance Rate**)	50% Advance Rate		$ _____
9.	**TOTAL NET BORROWING BASE** (Line 8)			$ _____
10.	Ending Revolving Principal Balance	Date: _____	(-)	$ _____
11.	**TOTAL NET BORROWING AVAILABILITY**			$ _____

(Line 9 minus Line 10) (not to exceed Committed Sum)

	Accounts Ineligible Listing	
1.	Accounts over 90 days from invoice date	$
2.	25% taint rule (Accounts 90 days or more past due)	$
3.	Debtor concentration limit - 25% of total A/R	$
4.	Contra Accounts (AJR and A/P from same customer)	$
5.	Accruals to Accounts (volume discounts, co-op advertising, etc.)	$
6.	Foreign Accounts	$
7.	Federal Government Accounts	$
8.	Affiliate Accounts	$
9.	Retention/Dated Sales/Guaranteed Sales/Consignment Sales	$
10.	Accounts resulting from bonded jobs	$
11.	Service charges	$
12.	Cash sales	$
13.	Prebilled invoices	$
14.	Maintenance contracts	$
15.	Bill and Hold invoices	$
16.	Customer deposits	$
17.	Other Ineligibles	$
	TOTAL ACCOUNTS INELIGIBLES:	$

(Line 6 of BBC)

BORROWERS:

DIRECT DIGITAL HOLDINGS, LLC

By: _____
Name:
Title:

COLOSSUS MEDIA, LLC

By: _____
Name:
Title:

HUDDLED MASSES LLC

By: _____
Name:
Title:

ORANGE142, LLC

By: _____
Name:
Title:

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

By: _____
Name:
Title:

EXHIBIT B

COMPLIANCE CERTIFICATE

FOR QUARTER ENDED _____ (THE "***SUBJECT QUARTER***")

BANK: EAST WEST BANK

BORROWERS: Direct Digital Holdings, LLC, a Texas limited liability company ("***Direct Digital***"), Colossus Media, LLC, a Delaware limited liability company ("***Colossus***"), Huddled Masses LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***") and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with Direct Digital, Colossus, HM, and Orange, "***Borrowers***" and each individually a "***Borrower***")

This Certificate is delivered under the Credit Agreement (the "***Agreement***") dated as of September 30, 2020, by and among Borrowers and Bank as such may have been amended, supplemented or replaced. Capitalized terms used in this Certificate shall, unless otherwise indicated, have the meanings set forth in the Agreement. On behalf of Borrowers, the undersigned certifies to Bank on the date hereof that (a) no Default or Event of Default has occurred and is continuing, (b) all representations and warranties of Borrowers contained in the Agreement and in the other Loan Documents are true and correct in all material respects, and (c) the information set forth below hereto is true and correct as of the last day of the Subject Quarter:

DESCRIPTION OF COVENANT

(1) Fixed Charge Coverage Ratio of not less than 1.25 to 1.0 (*Section 9.01* of Agreement) _____ to 1.0

(2) Total Leverage Ratio of not greater than (*Section 9.02* of Agreement): _____ to 1.0

December 31, 2020	3.00:1.00
March 31, 2021	3.00:1.00
June 30, 2021	2.75:1:00
September 30, 2021	2.75:1:00
December 31, 2021	2.50:1:00
March 31, 2022	2.50:1:00
June 30, 2022	2.25:1:00
September 30, 2022	2.25:1:00
and thereafter	

(3) Liquid Assets *plus* Revolving Credit Availability in the minimum amount of:

September 30, 2020 – June 29, 2021	$1,000,000
June 30, 2021 – December 30, 2021	$1,100,000
December 31, 2021 – June 29, 2022	$1,250,000
June 30, 2022 and thereafter	$1,350,000

(*Section 9.03* of Agreement) $ _____

BORROWERS:

DIRECT DIGITAL HOLDINGS, LLC

By: _____
Name:
Title:

COLOSSUS MEDIA, LLC

By: _____
Name:
Title:

HUDDLED MASSES LLC

By: _____
Name:
Title:

ORANGE142, LLC

By: _____
Name:
Title:

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

By: _____
Name:
Title:

EXHIBIT C

Anything herein to the contrary notwithstanding, the Liens and security interests securing the obligations evidenced by this revolving credit note, the exercise of any right or remedy with respect hereto and certain of the rights of the holder hereof are subject to the provisions of the Intercreditor Agreement, dated as of September 30, 2020 (as amended, restated, supplemented, substituted, replaced or otherwise modified from time to time, the "***Intercreditor Agreement***"), by and between Silverpeak Credit Partners, LP (in its capacity as agent for the Silverpeak Facility Lenders and together with its successors and assigns, the "***Silverpeak Facility Agent***"), for and on behalf of the Silverpeak Facility Creditors and each other Silverpeak Facility Claimholder (each as defined in the Intercreditor Agreement) from time to time, and East West Bank ("***EWB***"), acting on behalf of each A/R Facility Claimholder (as defined in the Intercreditor Agreement). In the event of any conflict between the terms of the Intercreditor Agreement and

this revolving credit note, the terms of the Intercreditor Agreement shall govern and control.

REVOLVING CREDIT NOTE

$4,500,000 September 30, 2020

FOR VALUE RECEIVED, Direct Digital Holdings, LLC, a Texas limited liability company ("***Direct Digital***"), Colossus Media, LLC, a Delaware limited liability company ("***Colossus***"), Huddled Masses LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***") and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with Direct Digital, Colossus, HM, and Orange, collectively, "***Borrower***"), hereby unconditionally, jointly and severally, promise to pay to the order of **EAST WEST BANK**, a California state bank ("***Lender***"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal sum of Four Million Five Hundred Thousand Dollars ($4,500,000), or such other amount as may from time to time be advanced by Lender as Revolving Credit Advance to or for the benefit or account of Borrower pursuant to the terms of that certain Credit Agreement, dated as of the date hereof (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Credit Agreement***," the terms defined therein being used herein as therein defined), between Borrower and Lender.

Borrower promises to pay interest on the unpaid principal amount of this Note from the date hereof until the Revolving Credit Advances made by Lender are paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to Lender in Dollars in immediately available funds at Lender's Principal Office. If any amount is not paid in full when due hereunder, then such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is the Revolving Credit Note referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Revolving Credit Advances and payments with respect thereto.

Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE, AND ANY CLAIM, CONTROVERSY, OR DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS NOTE, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

**[*Remainder of Page Intentionally Left Blank;*
Signature Page Follows.]**

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note as of the day and year first written above.

BORROWER:

DIRECT DIGITAL HOLDINGS, LLC

By: _____
Name:
Title:

COLOSSUS MEDIA, LLC

By: _____
Name:
Title:

HUDDLED MASSES LLC

By: _____
Name:
Title:

ORANGE142, LLC

By: _____
Name:
Title:

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

By: _____
Name:
Title:

Anything herein to the contrary notwithstanding, the Liens and security interests securing the obligations evidenced by this revolving credit note, the exercise of any right or remedy with respect hereto and certain of the rights of the holder hereof are subject to the provisions of the Intercreditor Agreement, dated as of September 30, 2020 (as amended, restated, supplemented, substituted, replaced or otherwise modified from time to time, the "***Intercreditor Agreement***"), by and between Silverpeak Credit Partners, LP (in its capacity as agent for the Silverpeak Facility Lenders and together with its successors and assigns, the "***Silverpeak Facility Agent***"), for and on behalf of the Silverpeak Facility Creditors and each other Silverpeak Facility Claimholder (each as defined in the Intercreditor Agreement) from time to time, and East West Bank ("***EWB***"), acting on behalf of each A/R Facility Claimholder (as defined in the Intercreditor Agreement). In the event of any conflict between the terms of the Intercreditor Agreement and this revolving credit note, the terms of the Intercreditor Agreement shall govern and control.

REVOLVING CREDIT NOTE

$4,500,000 September 30, 2020

FOR VALUE RECEIVED, Direct Digital Holdings, LLC, a Texas limited liability company ("***Direct Digital***"), Colossus Media, LLC, a Delaware limited liability company *("**Colossus**"),* Huddled Masses LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***") and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with Direct Digital, Colossus, HM, and Orange, collectively, *"**Borrower***"), hereby unconditionally, jointly and severally, promise to pay to the order of **EAST WEST BANK**, a California state bank ("***Lender***"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal sum of Four Million Five Hundred Thousand Dollars ($4,500,000), or such other amount as may from time to time be advanced by Lender as Revolving Credit Advance to or for the benefit or account of Borrower pursuant to the terms of that certain Credit Agreement, dated as of the date hereof (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "***Credit Agreement***," the terms defined therein being used herein as therein defined), between Borrower and Lender.

Borrower promises to pay interest on the unpaid principal amount of this Note from the date hereof until the Revolving Credit Advances made by Lender are paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to Lender in Dollars in immediately available funds at Lender's Principal Office. If any amount is not paid in full when due hereunder, then such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Note is the Revolving Credit Note referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Note is also entitled to the benefits of the Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Revolving Credit Advances and payments with respect thereto.

Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

THIS NOTE, AND ANY CLAIM, CONTROVERSY, OR DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS NOTE, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

[***Remainder of Page Intentionally Left Blank;***
Signature Page Follows.]

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note as of the day and year first written above.

BORROWER:

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

COLOSSUS MEDIA, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

HUDDLED MASSES LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

ORANGE142, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

Signature Page to
Revolving Credit Note

PREFERRED EQUITY SUBORDINATION AGREEMENT

THIS **PREFERRED EQUITY SUBORDINATION AGREEMENT** (this "***Subordination Agreement***") is entered into as of September 30, 2020, among **EAST WEST BANK**, a California state bank ("***Senior Lender***"), **USDM HOLDINGS, INC.**, a Texas corporation ("***Preferred Unit Holder***"), and **DIRECT DIGITAL HOLDINGS, LLC**, a Texas limited liability company (the "***Company***").

RECITALS

A. The Company desires that Senior Lender extend credit to the Company and certain of its affiliates, on a revolving basis as set forth in the Credit Agreement (as defined herein) and has entered into a Security Agreement in favor of Senior Lender in connection therewith. The Company and Preferred Unit Holder have entered into that certain Amended and Restated Limited Liability Company Agreement dated as of September 30, 2020 (the "***Company Agreement***").

B. It is the agreement of the parties that the payment obligations owed by the Company to Preferred Unit Holder shall be subordinate to the indebtedness owed by the Borrowers (as defined below) to Senior Lender, all as hereafter provided.

NOW, THEREFORE, for good and valuable consideration, the receipt, sufficiency and adequacy which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**. The following terms shall have the respective meanings specified below or in the Section or Recital referred to below:

"***Bankruptcy Proceeding***" means any proceeding by or against any party for relief under any bankruptcy, reorganization or insolvency law or laws relating to the relief of debtors, or any receivership, insolvency or assignment for the benefit of creditors, or any proceeding for any liquidation, liquidating distribution, dissolution or other winding up of such party, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings.

"***Credit Agreement***" means that certain Credit Agreement by and among the Company, Colossus Media, LLC, a Delaware limited liability company ("***Colossus***"), Huddled Masses LLC, a Delaware limited liability company ("***HM***"), Orange142, LLC, a Delaware limited liability company ("***Orange***"), and Universal Standard for Digital Marketing, LLC, a Delaware limited liability company ("***USDM***" and together with the Company, Colossus, HM, and Orange, "***Borrowers***" and each individually a "***Borrower***"), and Senior Lender dated of even date herewith, as amended, restated, supplemented or otherwise modified from time to time.

"***Enforcement Action***" means any judicial, arbitral or other proceeding, or any collection or enforcement action of any kind, to enforce or attempt to enforce any right or remedy available to Preferred Unit Holder to collect the Junior Obligations, including any judicial, arbitral or proceeding or any collection action against the Company or the Company's assets seeking, directly or indirectly, to enforce any rights or remedies, or to enforce any of the obligations incurred by the Company, under or in connection with the Junior Obligations (but excluding demand notices and other similar notices); provided, however, that (1) the imposition of surcharges as contemplated by Sections 3.1, 8.8, 8.9, or 8.10 of the Company Agreement, (2) the submission to mediation or arbitration as contemplated by Sections 8.8, 8.9, 8.10 or Section 12.16 of the Company Agreement and/or (3) specific performance, injunctive or other equitable relief as contemplated by Sections 8.11 or 12.16 of the Company Agreement (but still subject to Section 3 hereof) shall not be an "Enforcement Action" hereunder.

"***Junior Obligations***" means the obligation of Company to pay distributions of available cash, to allocate profits, to redeem preferred units, or make any other payments to Preferred Unit Holder in accordance with *Sections 3.1, 4.1, 8.8,* and *8.9* of the Company Agreement.

"***Loan Documents***" has the meaning given such term in the Credit Agreement.

"***Obligated Party***" has the meaning given such term in the Credit Agreement.

"***Senior Debt***" has the meaning given such term in ***Section 2*** herein.

"***Subordination Event***" means the occurrence and continuance of an Event of Default (as defined in the Credit Agreement).

2. **Subordination**. The Junior Obligations shall be subordinate and junior in right of payment and collection to the payment and collection in full of all present and future indebtedness, obligations and liabilities of the Borrowers and the other Obligated Parties to Senior Lender under the Loan Documents (the "***Senior Debt***").

3. **Limitations on Distributions, Payments and Redemption**. Except as is hereinafter set forth in this ***Section 3***, no payment shall be made by or on behalf of the Company on account of or for application against the Junior Obligations, whether as a result of setoff, realization upon collateral or otherwise, and no distribution (other than Permitted Tax Distributions as defined in the Credit Agreement and Tax Distributions as defined in the Term Loan Agreement) of any kind shall be received by Preferred Unit Holder from the Company, and no redemption shall be made by Preferred Unit Holder any of the Preferred Units (as defined in the Company Agreement) until the Senior Debt shall have been fully paid in cash and satisfied (other than contingent indemnification obligations as to which no claim has been asserted). The provisions of the first sentence of this ***Section 3*** notwithstanding, for so long as (i) no Subordination Event shall have occurred and be continuing and (ii) after giving effect to the payment or distribution with respect to the Preferred Units or the redemption of the Preferred Units, the Borrowers would be in pro forma compliance with the financial covenants set forth in Article IX of the Credit Agreement, the Company may make payments or distributions to the Preferred Unit Holder permitted by the Company Agreement and the Company may pay the Preferred Unit Holder and the Preferred Unit Holder may receive the distributions and redemption price set forth in the Company Agreement with respect to such Preferred Units (the "***Permitted Payments***"). Upon the occurrence and during the continuation of a Subordination Event, all further payments of Permitted Payments to Preferred Unit Holder shall immediately cease; provided, that such Permitted Payments may continue to accrue and at such time as there shall be no continuing Subordination Event such accrued Permitted Payments may be paid in full and payments of Permitted Payments may resume hereunder. Senior Lender shall use commercially reasonable efforts to provide Preferred Unit Holder with notice of the occurrence of a Subordination Event.

4. **Certain Distributions**. Preferred Unit Holder agrees that in the event of any distribution, division or any application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Company or the proceeds thereof to creditors of the Company, in any case for reason of the liquidation, dissolution or winding up of the Company or the Company's business, or in the event of any sale, receivership, insolvency or Bankruptcy Proceeding or assignment for the benefit of creditors, or any proceeding by or against the Company for any relief under any bankruptcy or insolvency law or laws relating to the relief of debtors, the adjustment of indebtedness, reorganizations, compositions or extensions, then and in any such event any payment or distribution of any kind or character, either in cash, property, securities or otherwise, which shall thereafter be paid or delivered by the Company upon or with respect to the Junior Obligations shall be turned over by Preferred Unit Holder to Senior Lender (without liability for interest thereon) for application on the Senior Debt, until the Senior Debt shall have been fully paid in cash and satisfied (other than contingent indemnification obligations as to which no claim has been asserted).

5. **Remedies Standstill**. Unless Senior Lender otherwise consents in writing, Preferred Unit Holder will not commence any Enforcement Action prior to the earliest of:

(a) the date all Senior Debt is fully paid in cash and satisfied (other than contingent indemnification obligations as to which no claim has been asserted); or

(b) the occurrence of a Bankruptcy Proceeding involving the Company.

For the avoidance of doubt, nothing contain herein shall be deemed to limit Preferred Unit Holder's ability to enforce or attempt to enforce any right or remedy available to Preferred Unit Holder under that certain Membership Interest Purchase and Contribution Agreement, dated on or about the date hereof, by and among Preferred Unit Holder, the Company, and Orange.

6. **Additional Agreements**. Preferred Unit Holder agrees (a) that it will not commence or pursue in any action of any kind (including any Enforcement Action or Bankruptcy Proceeding) to prohibit, limit or impair the commencement or pursuit by Senior Lender of any of its rights or remedies under or in connection with the Senior Debt, the Credit Agreement, the Loan Documents, or otherwise available to Senior Lender under applicable law; (b) that Preferred Unit Holder will not assign or otherwise transfer the Junior Obligations unless such assignment is made expressly subject to this Subordination Agreement; and (c) not to amend in any material respects the terms of the payment of the Junior Obligations, or to increase the distribution or other payments constituting Junior Obligations without the consent of Senior Lender (other than the imposition of surcharges as contemplated by Sections 3.1, 8.8, 8.9, or 8.10 of the Company Agreement).

7. **Treatment of Payments**. In the event that notwithstanding the provisions of this Subordination Agreement, any cash or distribution of assets of the Company, whether in cash, property, securities or otherwise, which, under the provisions of this Subordination Agreement should not have been paid to Preferred Unit Holder, is received by Preferred Unit Holder or any person on its behalf, or provision is made for such payment or distribution, such payment or distribution shall be held for the benefit of and shall immediately be paid or delivered directly to Senior Lender, with any necessary endorsement, for application to the payment of the Senior Debt; until the Senior Debt shall have been fully paid cash and satisfied (other than contingent indemnification obligations as to which no claim has been asserted); provided, however, the Senior Lender must provide written notice to the Preferred Unit Holder within 10 days of such distribution that such distribution must be returned.

8. **Modification to Senior Debt**. Senior Lender may, at any time and from time to time, without the consent of or notice to Preferred Unit Holder, without incurring any responsibility to Preferred Unit Holder, and without impairing or releasing the obligations of Preferred Unit Holder to Senior Lender (a) change the manner, place or terms of payment of, or change or extend the time of payment of, or renew, alter or increase the Senior Debt; (b) extend, modify or amend any agreement or any other document related to the Senior Debt or the Senior Liens; (c) sell, exchange, release or otherwise deal with any property by whomsoever at any time pledged or mortgaged to secure or howsoever securing, any of the Senior Debt; (d) release anyone liable in any manner for the payment or collection of any of the Senior Debt, (e) exercise or refrain from exercising any rights against the Company, any Borrower or any other person; or (f) take or refrain from taking any other action whatsoever.

9. **No Impairment**. The provisions of this Subordination Agreement are intended solely for the purpose of defining the relative rights of Preferred Unit Holder or any holder of the Junior Obligations, on one hand, and Senior Lender or any holder of the Senior Debt, on the other hand, and nothing contained in this Subordination Agreement is intended to or shall impair, as between the Company, other creditors, and Preferred Unit Holder or any holder of the Junior Obligations, all amounts due and payable in accordance with the Junior Obligations, or to affect the relative rights of Preferred Unit Holder or any holder of the Junior Obligations and creditors of the Company other than Senior Lender or holders of the Senior Debt, nor shall anything herein or therein prevent Preferred Unit Holder or any holders of the Junior Obligations from exercising all remedies against the Company otherwise permitted by applicable law, subject to the rights of Senior Lender under the provisions of this Subordination Agreement.

10. **Obligations Hereunder Not Affected**. No action or inaction of Senior Lender or any other person, and no change of law or circumstances, shall release or diminish the obligations, liabilities, agreements or duties hereunder of Preferred Unit Holder or the Company, or affect this Subordination Agreement in any way or provide any party any recourse against Senior Lender.

11. **Specific Performance**. Senior Lender is hereby authorized to demand specific performance of this Subordination Agreement at any time when any other party shall have failed to comply with any of the provisions of this Subordination Agreement applicable to it. The Company and Preferred Unit Holder hereby irrevocable waive any defense based upon the adequacy of a remedy at law which might be asserted as a bar to such remedy of specific performance and waive any requirement of the posting of any bond which might otherwise be required before such remedy of specific performance granted.

12. **Subrogation**. No payment or distribution to Senior Lender pursuant to the provisions of this Subordination Agreement shall entitle Preferred Unit Holder to exercise any rights of subrogation in respect thereof until the Senior Debt shall have been paid in cash and satisfied in full (other than contingent indemnification obligations as to which no claim has been asserted) or the Senior Lender shall have consented in writing to the exercise of such rights. After the payment of the Senior Debt in cash in full (other than contingent indemnification obligations as to which no claim has been asserted) and provided no payments are voidable, Preferred Unit Holder shall be subrogated to the rights of Senior Lender to receive payments or distributions applicable to the Senior Debt to the extent the distributions otherwise payable to Preferred Unit Holder have been applied to the payment of the Senior Debt.

13. **Choice of Law**. THIS SUBORDINATION AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE.

14. **Representations**. Preferred Unit Holder represents and warrants that it has full power and authority to execute this Subordination Agreement and that this Subordination Agreement constitutes the valid and binding obligation of Preferred Unit Holder enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and general principles of equity, regardless of whether considered in a proceeding in equity or at law. Preferred Unit Holder represents and warrants that it has furnished Senior Lender with true and complete copies of all documents which evidence the Junior Obligations.

15. **Waivers and Amendments**. Until the Senior Debt shall have been fully paid or satisfied, this Subordination Agreement may not be amended, waived, terminated or otherwise modified except with the consent of Senior Lender and Preferred Unit Holder.

16. **No Implied Waiver**. Any delay in the exercise of or any failure to exercise any right or remedy of Senior Lender shall not be deemed a waiver of any such right or remedy.

17. **Binding Effect**. This Subordination Agreement shall be binding upon the parties and their respective successors, transferees and assigns. Each reference in this Subordination Agreement to Preferred Unit Holder shall include any assignee or transferee of the Junior Obligations, and each reference in this Subordination Agreement to Senior Lender shall include any assignee or transferee of the Senior Debt and the Senior Liens.

18. **Invalid Provisions**. If any term or provision of this Subordination Agreement shall be determined to be illegal or unenforceable, all other terms and provisions hereof shall nevertheless remain effective and shall be enforced to the fullest extent permitted by law.

19. **Further Assurances**. Preferred Unit Holder and the Company further agree to execute such subordinations and other documents that may be reasonably requested by Senior Lender to more fully give effect to the provisions of this Subordination Agreement.

20. **Notices**. All notices, requests, consents, demands and other communications required or permitted under this Subordination Agreement shall be in writing and, unless otherwise specifically provided in this Subordination Agreement, (i) shall be deemed sufficiently given or furnished (a) if delivered by a commercial messenger service regularly retaining receipts for such delivery, effective on the date of delivery by the commercial messenger service; (b) if sent by electronic mail, effective on the date of delivery if sent return receipt acknowledged; (c) if sent by registered or certified mail, return receipt requested, effective forty-eight (48) hours after deposit; (d) if sent by telephonic facsimile transmission with a copy sent by regular mail, effective on the date imprinted on the facsimile transmission form; or (e) if delivered by the air courier services known as FedEx, Express Mail, Airborne or Emory Air, effective upon delivery thereof to the courier, and (ii) shall be addressed to the parties as listed as follows:

Senior Lender's address:

East West Bank
5001 Spring Valley Road; Suite 825W
Dallas, Texas 75244
Attention: Hamilton LaRoe
email: Hamilton.Laroe@EastWestBank.com

Company's address:

Direct Digital Holdings, LLC
1233 West Loop South
Suite 1170
Houston, Texas 77027
Attention: Keith W. Smith
Email: ksmith@directdigitalholdings.com
Phone: 713.540.4545

Preferred Unit Holder's address:

USDM Holdings, Inc
5729 Krause Lane, Unit #13
Austin, Texas 78738
Attention: Leah Woolford and Jeff Woolford
Email: leah@usdmholdings.com
jeff@usdmholdings.com

with a copy (not constituting notice) to:

Fredrikson & Byron, P.A.
200 South Sixth Street, Suite 4000
Attention: Jessica D. Manivasager
Email: jmanivasager@fredlaw.com

21. **Costs and Expenses**. The Company agrees to pay, upon demand to Senior Lender, all reasonable and documented out-of-pocket costs and expenses (including court costs and reasonable attorneys' fees for one primary counsel) incurred by Senior Lender in the enforcement of this Subordination Agreement.

22. **Counterparts**. This Subordination Agreement may be executed in any number of identical counterparts, each of which when so executed constitutes an original and all of which constitute, collectively, one agreement.

[*Remainder of Page Intentionally Blank; Signatures Begin on Next Page*]

IN WITNESS WHEREOF, this Subordination Agreement is executed as of the date first above written.

PREFERRED UNIT HOLDER:

USDM HOLDINGS, INC.

By: /s/ Leah Woolford
Name: Leah Woolford
Title. Chief Executive Officer

COMPANY:

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Keith W. Smith
Name: Keith W. Smith
Title: President

Signature Page to
Preferred Equity Subordination Agreement

SENIOR LENDER:

EAST WEST BANK

By: /s/ Hamilton LaRoe
Name: Hamilton LaRoe
Title: First Vice President

Signature Page to
Preferred Equity Subordination Agreement

Exhibit 10.7

SECURED TERM PROMISSORY NOTE

$12,825,000 Closing Date: September 30, 2020

Scheduled Maturity Date: September 15, 2023

FOR VALUE RECEIVED, Direct Digital Holdings, LLC., a Texas limited liability company, Huddled Masses LLC, a Delaware limited liability company; Colossus Media, LLC, a Delaware limited liability company; Orange142, LLC, a Delaware limited liability company; and Universal Standards for Digital Marketing, LLC, a Delaware limited liability company (collectively, the "**Borrower**") hereby jointly and severally promise to pay to Silverpeak Credit Opportunities AIV LP, a Delaware limited partnership (the "**Lender**"), at 40 West 57th Street— 29th Floor, New York, New York 10019, or such other place of payment as the Lender, as the holder of this Secured Term Promissory Note (this "**Promissory Note**") may specify from time to time in writing, in lawful money of the United States of America, the initial principal amount of Twelve Million Eight Hundred Twenty-Five Thousand Dollars ($12,825,000) or such other principal amount as the Lender has advanced to the Borrower, together with interest at a rate as set forth in Section 2.1(b) of the Loan Agreement based upon a year consisting of 365 days, with interest computed daily based on the actual number of days in each Accrual Period.

This Promissory Note is the Note referred to in, and is executed and delivered in connection with, that certain Loan and Security Agreement dated as of September 30, 2020, by and among the Borrower, the several financial institutions or entities from time to time party thereto as the Lenders, and Silverpeak Credit Partners, LP, a Delaware limited partnership (the "**Agent**") (as the same may from time to time be amended, modified or supplemented in accordance with its terms, the "**Loan Agreement**"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note.

The Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the UCC or any applicable law. The Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to the Lender and is payable in the State of New York. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of New York, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction.

Anything herein to the contrary notwithstanding, the Liens and security interests securing the obligations evidenced by this promissory note, the exercise of any right or remedy with respect hereto and certain of the rights of the holder hereof are subject to the provisions of the Intercreditor Agreement, dated as of September 30, 2020 (as amended, restated, supplemented, substituted, replaced or otherwise modified from time to time, the "**Intercreditor Agreement**"), by and between Silverpeak Credit Partners, LP (in its capacity as Agent), for and on behalf of the Silverpeak Facility Creditors and each other Silverpeak Facility Claimholder (each as defined in the Intercreditor Agreement) from time to time, and East West Bank ("**EWB**"), acting on behalf of each A/R Facility Claimholder (as defined in the Intercreditor Agreement). In the event of any conflict between the terms of the Intercreditor Agreement and this promissory note, the terms of the Intercreditor Agreement shall govern and control.

[SIGNATURES TO FOLLOW]

THE BORROWER:

DIRECT DIGITAL HOLDINGS, LLC

/s/ Keith W. Smith
By: Keith W. Smith
Title: President

ORANGE142, LLC

/s/ Keith W. Smith
By: Keith W. Smith
Title: President

HUDDLED MASSES LLC

/s/ Keith W. Smith
By: Keith W. Smith
Title: President

COLOSSUS MEDIA, LLC

/s/ Keith W. Smith
By: Keith W. Smith
Title: President

UNIVERSAL STANDARDS FOR DIGITALMARKETING, LLC

/s/ Keith W. Smith
By: Keith W. Smith
Title: President

[Signature page to Secured Term Promissory Note]

Exhibit 10.8

Execution Version

LOAN AND SECURITY AGREEMENT

by and among

DIRECT DIGITAL HOLDINGS, LLC. AND THE OTHER BORROWER ENTITIES IDENTIFIED HEREIN

as Borrower

THE SEVERAL FINANCIAL INSTITUTIONS OR ENTITIES FROM TIME TO TIME PARTIES HERETO

as Lenders

and

SILVERPEAK CREDIT PARTNERS, LP

as Agent

Dated as of September 30, 2020

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Schedule 5.11 Third Party Rights to Intellectual Property

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT is made and dated as of September 30, 2020 and is entered into by and among **DIRECT DIGITAL HOLDINGS, LLC**, a Texas limited liability company ("**DDH**"), and each other **BORROWER ENTITY** (as defined herein) (DDH, together with the other Borrower Entities, collectively, the "**Borrower**"), the **SEVERAL FINANCIAL INSTITUTIONS OR ENTITIES FROM TIME TO TIME PARTIES TO THIS AGREEMENT AS LENDERS** (the "**Lenders**") and **SILVERPEAK CREDIT PARTNERS, LP**, a Delaware limited partnership, in its capacity as administrative agent and collateral agent for itself and the Lenders (in such capacity, the "**Agent**").

RECITALS

WHEREAS, DDH is on the date hereof acquiring all of the Equity Interests of Orange 142, LLC, a Delaware limited liability company ("**Orange 142**");

WHEREAS, the Borrower has requested the Lenders to make available to the Borrower a term loan in an aggregate principal amount of $12,825,000 (the "**Loan**") to fund the cash portion of the purchase price being paid by DDH for such acquisition and related transaction expenses and for certain other corporate expenses; and

WHEREAS, the Lenders are willing to make the Loan on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, the Borrower, the Agent and the Lenders agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"**Account Control Agreement**" means, with respect to any Deposit Account of the Borrower, an agreement among the Agent, the applicable Borrower Entity and the bank at which such Deposit Account is maintained, in form and substance satisfactory to the Agent, pursuant to which the parties to such agreement acknowledge the Agent's security interest in, and control over, such Deposit Account, as amended or modified from time to time.

"**Accrual Period**" means, with respect to any Payment Date, the period from and including the preceding Payment Date (or the Closing Date, in the case of the first such period) to and including the day preceding such current Payment Date.

"**Administration Fee**" shall have the meaning specified in the Fee Letter.

"**Advance**" means, with respect to any Lender, the portion of the Loan held by such Lender.

"**Affiliate**" means (i) any Person that directly or indirectly controls, is controlled by, or is under common control with the Person in question, (ii) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of another Person, or (iii) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held by another Person with power to vote such securities. As used in the definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"**Agent**" has the meaning given to it in the preamble to this Agreement.

"**Agreement**" means this Loan and Security Agreement, as amended from time to time.

"**Amortization Date**" means the fifteenth (15^{th}) day of January and July in each year beginning with January 15, 2021, or, if such date shall not be a Business Day, the immediately following Business Day.

"**Anti-Corruption Laws**" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or any of its Affiliates from time to time concerning or relating to bribery or corruption, including without limitation the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and other similar legislation in any other jurisdictions.

"**Anti-Terrorism Laws**" means any laws, rules, regulations or orders relating to terrorism or money laundering, including without limitation Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

"**Assignee**" has the meaning given to it in Section 11.13.

"**Audited Financial Statements**" means, (i) for any fiscal year of DDH and its Subsidiaries (being, as of the Closing Date, for the fiscal year ended December 31, 2019), the most recent audited consolidated balance sheet of DDH and its Subsidiaries and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, and (ii) for the fiscal year of Orange 142 ended December 31, 2019, the audited consolidated balance sheet of Orange 142 and its Subsidiaries and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year.

"**Blocked Person**" means any Person: (i) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224; (iii) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224; or (v) a Person that is named a "specially designated national" or "blocked person" on the most

current list published by OFAC or other similar list.

"**Board**" shall have the meaning set forth therefor in Section 7.8.

"**Board Observer**" shall have the meaning set forth therefor in Section 7.8.

"**Borrower**" has the meaning given to it in the preamble to this Agreement.

"**Borrower Entity**" means DDH; Huddled Masses LLC, a Delaware limited liability company; Colossus Media, LLC, a Delaware limited liability company; Orange 142; Universal Standards for Digital Marketing, LLC, a Delaware limited liability company; and any additional entity which hereafter joins this Agreement as a Borrower Entity pursuant to a Joinder Agreement.

"**Borrower Products**" means all products, software, service offerings, technical data or technology currently being designed, manufactured or sold by the Borrower or which the Borrower intends to sell, license, or distribute in the future including any products or service offerings under development, collectively, together with all products, software, service offerings, technical data or technology that have been sold, licensed or distributed by any Borrower Entity since its respective incorporation or organization.

"**Business Day**" means any day other than Saturday, Sunday and any other day on which banking institutions in the State of New York are closed for business.

"**Cash**" means all cash, cash equivalents and liquid funds.

"**CFC**" means a "controlled foreign corporation" as defined in Section 957(a) of the Code.

"**Change in Control**" means any reorganization, recapitalization, consolidation or merger (or similar transaction or series of related transactions) of any Borrower Entity, any sale or exchange of outstanding shares or other Equity Interests (or similar transaction or series of related transactions) of any Borrower Entity or any other transaction or series of transactions, as a result of which (i) Mark Walker and Keith Smith (together with members of their immediate families) collectively do not own a majority of the common equity interest in and more than 50% of the voting power of, and control, the surviving entity of such transaction or series of related transactions (or the parent of such surviving entity if such surviving entity is wholly owned by such parent), in each case without regard to whether a Borrower Entity is the surviving entity, and own and control directly or indirectly a majority of the Equity Interests in and more than 50% of the voting power of, and control, each Borrowing Entity, or (ii) any other Person or group acquires, directly or indirectly, more than 50% of the voting power, or control, of any Borrower Entity, it being understood that any change in composition of the Board of DDH as contemplated by the DDH Operating Agreement as in effect on the Closing Date shall not constitute a Change in Control.

"**Change in Law**" shall mean (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.7, by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided that, notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Account Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

"**Claims**" has the meaning given to it in Section 11.10.

"**Closing Date**" means the date of this Agreement.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"**Collateral**" means the property described in Section 3.1.

"**Confidential Information**" has the meaning given to it in Section 11.12.

"**Consolidated Cash Interest Coverage Ratio**" shall mean, for any date, the ratio of Interest Expense as of such date to the EBITDA for the period ending on such date determined on a Last Twelve Months Basis.

"**Contingent Obligation**" means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to (i) any Indebtedness, lease, dividend, letter of credit or other obligation of another, including any such obligation directly or indirectly guaranteed, endorsed, co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable; (ii) any obligations with respect to undrawn letters of credit, corporate credit cards or merchant services issued for the account of that Person; and (iii) all obligations arising under any interest rate, currency or commodity swap agreement, interest rate cap agreement, interest rate collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; provided, however, that the term "Contingent Obligation" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount (x) equal to the stated or determined amount of the primary obligation in respect of which such Contingent Obligation is made or, (y) if not stated or determinable, equal to the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith; provided, however, that such amount shall not in any event exceed the maximum amount of the obligations under the guarantee or other support arrangement.

"**Contractual Obligation**" means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"**Copyright License**" means any written agreement granting any right to use any Copyright or Copyright registration, now owned or hereafter acquired by the Borrower or in which the Borrower now holds or hereafter acquires any interest.

"**Copyrights**" means all copyrights, whether registered or unregistered, held pursuant to the laws of the United States of America, any State thereof, or of any other country.

"**Default**" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"**DDH**" has the meaning given to it in the preamble to this Agreement.

"**DDH Operating Agreement**" means that certain Amended and Restated Limited Liability Company Agreement of DDH dated September 30, 2020, as amended, modified or restated from time to time.

"**Default Interest Rate**" shall mean the then applicable Interest Rate plus 2.00% per annum.

"**Deposit Accounts**" means any "deposit accounts," as such term is defined in the UCC, and includes any checking account, savings account, or certificate of deposit.

"**Disposition**" or "**Dispose**" means the sale, transfer, license, lease or other disposition of any property by any Person (including any sale and leaseback transaction and any issuance of Equity Interests by a Subsidiary of such Person), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"**East West Bank**" shall mean East West Bank, a California state-chartered bank.

"**East West Credit Agreement**" shall mean the Credit Agreement dated as of September 30, 2020 by and among the Borrower Entities, as borrowers, and East West Bank, as lender.

"**East West Loan Documents**" shall mean the "Loan Documents" under and as defined in the East West Credit Agreement.

"**EBITDA**" means, for DDH and its Subsidiaries on a consolidated basis for any period in question, the sum of (a) Net Income for such period plus (b) to the extent deducted in determining such Net Income, the sum, without duplication, of (i) Interest Expense during such period, (ii) all federal, state, local and/or foreign income taxes payable by DDH and its Subsidiaries during such period, (iii) depreciation expenses of DDH and its Subsidiaries during such period, (iv) amortization expenses of DDH and its Subsidiaries during such period, (v) management fees payable under and pursuant to the Board Services and Consulting Agreements each dated as of September 30, 2020, by and between DDH, on the one hand, and Keith Smith and Mark Walker, respectively, on the other hand (not to exceed in aggregate amount $900,000 per annum or $225,000 per quarter for purposes of this definition) and (vi) non-recurring legal, consulting expenses in an amount up to $250,000 during any 12 month period and minus (c) any extraordinary, non-recurring and/or non-cash gains or income during such period as reported in the monthly and annual financials of DDH and its Subsidiaries, all determined on a consolidated basis.

"**Environmental Laws**" shall mean all former, current and future Federal, state, local and foreign laws (including common law), treaties, regulations, rules, ordinances, codes, decrees, judgments, directives, orders (including consent orders), and agreements in each case, relating to protection of the environment, natural resources, human health and safety or the presence, release of, or exposure to, Hazardous Materials, or the generation, manufacture, processing, distribution, use, treatment, storage, transport, recycling or handling of, or the arrangement for such activities with respect to, Hazardous Materials.

"**Environmental Liability**" shall mean all liabilities, obligations, damages, losses, claims, actions, suits, judgments, orders, fines, penalties, fees, expenses and costs (including administrative oversight costs, natural resource damages and remediation costs), whether contingent or otherwise, arising out of or relating to (a) compliance or non-compliance with any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release of any Hazardous Materials or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"**Equity Cure**" means the cash contributions made to the Borrower in immediately available funds by one or more holders of Equity Interests therein as additional common equity contributions to the Borrower and which are designated an "Equity Cure" by the Borrower under Section 10.2 at the time contributed.

"**Equity Interests**" means, with respect to any Person, the capital stock, partnership or limited liability company interest, or other equity securities or equity ownership interests of such Person.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"**ERISA Affiliate**" shall mean any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which the Borrower or the Guarantor is a member and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which the Borrower or the Guarantor is a member.

"**ERISA Event**" shall mean (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived), (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived, (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan or the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan, (e) the receipt by the Borrower or any of its ERISA Affiliates from the Pension Benefit Guaranty Corporation or a plan administrator of any notice relating to the intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan, (f) the adoption of any amendment to a Plan that would require the provision of security pursuant to Section 401(a)(29) of the Code or Section 307 of ERISA, (g) the receipt by the Borrower or any of its ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Borrower or any of its ERISA Affiliates of any notice, concerning the imposition of withdrawal liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA, (h) the occurrence of a non-exempt "prohibited transaction" with respect to which the Borrower or any of the Subsidiaries is a "disqualified person" (within the meaning of Section 4975 of the Code) or with respect to which the Borrower or any such Subsidiary could otherwise be liable, or (I) any other event or condition with respect to a Plan or Multiemployer Plan that could result in liability of the Borrower or any Subsidiary.

"**Event of Default**" has the meaning given to it in Section 9.

"**Excess Cash Flow**" shall mean, with respect to any period, (i) EBITDA for such period, (ii) plus any net increase, and minus any net decrease, in working capital in such period (annualized to the extent such period is less than a full year), and (iii) minus the Excess Cash Flow Adjustment for such Payment Date, in each case as set forth in the Financial Statements delivered for such periods pursuant to Section 7.1(a) and (b).

"**Excess Cash Flow Adjustment**" shall mean, with respect to any Amortization Date, the sum of (i) voluntary prepayments of principal of the Loan made since the preceding Amortization Date (or, in the case of the first such Amortization Date, since the Closing Date) pursuant to Section 2.4(a), (ii) capital expenditures incurred during the period for which Excess Cash Flow is measured for such Amortization Date, (iii) cash taxes and interest expense during such period, and (iv) such additional adjustments as may be approved by the Agent in its sole discretion.

"**Excluded Account**" means any Account (including, for the avoidance of doubt, any cash, cash equivalents or other property contained therein): (i) solely to the extent, and for so long as, such Account is pledged to secure performance of obligations arising under clause (vi) of the defined term "Permitted Liens", and whether such pledge is by escrow or otherwise, in all cases with a balance no greater than such obligations under clause (vi) of the defined term "Permitted Liens"; (ii) used exclusively for payroll, payroll taxes and other employee wage and benefit payments with a balance no greater than such payroll, payroll taxes and other employee wage and benefit payments obligations that are to be paid within any two-week period; (iii) constituting a "zero balance" Account; or (iv) consisting of a disbursement account established with a payment processor to process vendor payments so long as the average monthly balance in such account does not exceed $250,000 at any one time.

"**Excluded Taxes**" shall mean, with respect to the Agent or any Lender, (a) franchise Taxes and Taxes imposed on or measured by net income (however denominated), in each case, (i) imposed on (or measured by) its net income by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located or (ii) that are Other Connection Taxes, (b) any branch profits Taxes imposed by any jurisdiction described in clause (a) above, (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.09(a)), any U.S. federal withholding Tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.8(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to Section 2.8(a), (d) Taxes attributable to such recipient's failure to comply with Section 2.8(e) and (e) any withholding Taxes imposed under FATCA.

"**Exit Fee**" shall have the meaning specified in the Fee Letter.

"**FATCA**" shall mean Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any law, regulations, or other official guidance enacted relating to an applicable intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect thereto, any agreements entered into pursuant to Section 1471(b)(1) of the Code, and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among Governmental Authorities and implementing such Sections of the Code.

"**Fee Letter**" shall mean the Fee Letter dated the date hereof between DDH and the Agent.

"**Financial Covenants**" shall mean the covenants set forth in Section 7.2.

"**Financial Statements**" has the meaning given to it in Section 7.1 (it being understood that references to "most recent Financial Statements," or words to similar effect, shall mean (i) the Financial Statements relating to the quarterly or annual period most recently ended, (ii) the Audited Financial Statements for such period, if the same are available, (iii) the Reviewed Financial Statements for such period, if the same are available, but the Audited Financial Statements for such period are not yet available, and (iv) otherwise, the unaudited Financial Statements for such period).

"**Foreign Lender**" shall mean any Lender that is organized under the laws of a jurisdiction other than that in which DDH is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"**GAAP**" means generally accepted accounting principles in the United States of America, as in effect from time to time.

"**GAAP Revenue**" means the revenue earned by the Borrower from sales of the Borrower Products, as recognized and calculated by the Borrower in accordance with GAAP, and excluding (i) rebates, (ii) wholesaler fees, (iii) returns, (iv) chargebacks and (v) any other discounts or credits incurred, in each case to the extent not already excluded in the calculation of the Borrower's revenue under GAAP.

"**Governmental Authority**" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"**Guarantor**" means each of Mark Walker and Keith Smith who, on the date hereof (after giving effect to the Orange 142 Acquisition), are collectively the majority owners, directly or indirectly, of Equity Interests in DDH.

"**Guaranty**" means each Limited Guaranty, dated as of the date hereof, of each Guarantor.

"**Hazardous Materials**" shall mean (a) any petroleum products or byproducts and all other hydrocarbons, coal ash, radon gas, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, chlorofluorocarbons and all other ozone-depleting substances and (b) any chemical, material, substance or waste that is prohibited, limited or regulated by or pursuant to any Environmental Law.

"**Huddled Masses Notes**" means, collectively (i) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company and Cantu Holdings, LLC, a Delaware limited liability, in the amount of $250,000.00, with an outstanding balance of $87,500 as of the Closing Date (ii) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company, Charles Cantu, a New York resident, Kristie MacDonald, Amy Harris, Laura Ottaviano, Lisa Grisanti, Joseph Riggio, in the amount of $141,203.69, (iii) that certain Promissory Note dated June 21, 2018, by and between

HMC Operations, LLC, a Texas limited liability company, and Devon White, a New York resident, in the amount of $21,990.74, and (iv) that certain Promissory Note dated June 21, 2018, by and between HMC Operations, LLC, a Texas limited liability company, and MediaMath, Inc., a Delaware corporation, in the amount of $64,814.81.

"**Indebtedness**" means as to any Person as of any date of determination, without duplication, all of the following: (i) all indebtedness for borrowed money or the deferred purchase price of property or services (excluding trade credit entered into in the ordinary course of business), including reimbursement and other obligations with respect to surety bonds and letters of credit, (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, (iii) all capital lease obligations, and (iv) all Contingent Obligations.

"**Indemnified Person**" has the meaning give to it inSection 6.3.

"**Indemnified Taxes**" shall mean (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any Borrower Entity or Guarantor under any Loan Document, and (b) to the extent not otherwise described in (a), Other Taxes.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"**Intellectual Property**" means all of the Borrower's Copyrights; Trademarks; Patents; Licenses; trade secrets and inventions; mask works; the Borrower's applications therefor and reissues, extensions, or renewals thereof; and the Borrower's goodwill associated with any of the foregoing, together with the Borrower's rights to sue for past, present and future infringement of Intellectual Property and the goodwill associated therewith.

"**Intercreditor Agreement**" shall mean the Intercreditor Agreement dated September 30, 2020 between East West and the Agent, on behalf of itself and the Lenders.

"**Interest Expense**" means, for any period, the interest expense of DDH and its Subsidiaries for the period in question, determined on a consolidated basis and consistent with practices as of the Closing Date or otherwise in accordance with GAAP.

"**Interest Rate**" means for any day a per annum rate of interest equal to the rate set forth as the Interest Rate in the Fee Letter.

"**Inventory**" means "inventory" as defined in Article 9 of the UCC.

"**Investment**" means any beneficial ownership (including stock, partnership or limited liability company interests) of or in any Person, or any loan, advance or capital contribution to any Person or the acquisition of any material assets of another Person, other than equipment purchases made by the Borrower as part of the operation of its business.

"**Joinder Agreement**" means for each Qualified Subsidiary not initially a party to this Agreement, a completed and executed Joinder Agreement in substantially the form attached hereto as Exhibit G.

"**Key Employees**" means Mark Walker and Keith Smith; provided that if any such Person is replaced by a successor that has been approved in writing by the Agent, then such successor shall be deemed to be a Key Employee and the replaced Person shall cease to be a Key Employee.

"**Last Twelve Months Basis**" shall mean, with respect to any financial measurement as of any Payment Date, such measurement for the 12-month period ending on the last day of the fiscal quarter preceding such Payment Date (or, for Payment Dates occurring prior to the Payment Date in November 2021, such measurement for the fiscal quarters following the acquisition of Orange 142 by DDH and preceding such Payment Date, annualized).

"**Lender**" has the meaning given to it in the preamble to this Agreement.

"**License**" means any Copyright License, Patent License, Trademark License or other license of rights or interests.

"**Lien**" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, levy, lien or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, against any property, any conditional sale or other title retention agreement, and any lease in the nature of a security interest.

"**Liquidity**" means (a) "Cash and cash equivalents," as such term is used in the Audited Financial Statement of DDH as of December 31, 2019 and as set forth in the Borrower's most recent Financial Statements plus (b) any amount available under the East West Credit Agreement.

"**Loan**" means the loan made under this Agreement.

"**Loan Documents**" means this Agreement, the Notes (if any), each Guaranty, all UCC Financing Statements, any Joinder Agreements, any Account Control Agreements, the Intercreditor Agreement, any Subordination Agreements and any other documents executed in connection with the Secured Obligations or the transactions contemplated hereby, as the same may from time to time be amended, modified, supplemented or restated.

"**Material Adverse Effect**" means a material adverse effect upon: (i) the business, operations, properties, assets or financial condition of the Borrower and its Subsidiaries taken as a whole; or (ii) the ability of the Borrower to perform or pay the Secured Obligations in accordance with the terms of the Loan Documents, or the ability of the Agent or the Lenders to enforce any of its rights or remedies with respect to the Secured Obligations; or (iii) the Collateral or the Agent's Liens on the Collateral or the priority of such Liens.

"**Material Assets**" shall mean assets of the Borrower (other than inventory) which, in the aggregate in any fiscal year, shall have a value (not less than the sale price thereof) of $125,000 or more.

"**Material Contracts**" means (i) each contract or other agreement (other than the Loan Documents), written or oral, of the Borrower involving monetary liability of or to any Person in an amount in excess of $250,000 in any fiscal year, (ii) each contract pursuant to which the Borrower expects to generate more than $250,000 in

revenues in any fiscal year, (iii) each other contract or agreement (other than the Loan Documents), whether written or oral, to which the Borrower is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto would reasonably be expected to have a Material Adverse Effect; and (iv) each additional contract listed on Exhibit E hereto.

"**Maturity Date**" means the earlier to occur of (a) the Scheduled Maturity Date and (b) the date that the Loan and other Obligations hereunder are declared due and payable following the occurrence of an Event of Default pursuant to Section 10.

"**Maximum Total Leverage Ratio Target**" has the meaning set forth therefor in Section 7.2(b).

"**Maximum Rate**" has the meaning set forth therefor in Section 2.2.

"**Minimum Consolidated Cash Interest Coverage Ratio Target**" has the meaning set forth therefor in Section 7.2(c).

"**Minimum Liquidity Target**" has the meaning set forth therefor in Section 7.2(a).

"**Monthly Key Performance Indicators Report**" shall mean a report showing, with respect to the preceding calendar month, (x) key business performance indicators including (i) new customers signed, (ii) prospective customers, (iii) current backlog/pipeline, and (iv) sell side platform, including general impressions, average daily sales and average eCPM, (y) key financial performance indicators as of the end of such month, including (i) liquidity (cash plus revolving credit facility availability), (ii) accounts receivable (balances and aging), (iii) accounts payable (balances and aging) and (iv) variance from the initial budget (covering both revenues and EBITDA, provided that variance in EBITDA shall be with respect to the second preceding calendar month rather than the preceding calendar month) and (z) such additional key performance indicators as the Agent shall reasonably request.

"**Multiemployer Plan**" shall mean a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been, or were required to have been, made by either of the Borrower or the Guarantor or any of their ERISA Affiliates and which is covered by Title IV of ERISA.

"**Net Income**" means the net income (or loss) of DDH and its Subsidiaries for the period in question, determined on a consolidated basis and consistent with practices as of the Closing Date or otherwise in accordance with GAAP.

"**Note**" means a Promissory Note in substantially the form of Exhibit A.

"**OFAC**" is the U.S. Department of Treasury Office of Foreign Assets Control.

"**OFAC Lists**" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

"**Orange 142**" has the meaning set forth in the recitals hereto.

"**Orange 142 Acquisition**" means the acquisition by DDH of Orange 142 occurring on the date hereof.

"**Orange 142 Acquisition Agreement**" means the Membership Interest Purchase and Contribution Agreement dated the date hereof by and among DDH, USDM Holdings, Leah Woolford and Orange 142.

"**Orange 142 Acquisition Documents**" shall mean the Orange 142 Acquisition Agreement, the Amended and Restated Limited Liability Company Agreement of DDH as of the date hereof, and any other documents executed in connection with the Orange 142 Acquisition or the transactions contemplated hereby, in each case including all schedules and exhibits thereto, and in each case, as the same may from time to time be amended, modified, supplemented or restated.

"**Origination Fee**" shall have the meaning specified in the Fee Letter.

"**Other Connection Taxes**" shall mean, with respect to a Lender, Taxes imposed as a result of a present or former connection between such Lender and the jurisdiction imposing such Tax (other than connections arising from such Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to or enforced any Loan Document or sold or assigned an interest in any Loan or Loan Document).

"**Other Related Person**" means, with respect to any Person who is an individual, any other Person related by blood or marriage to such Person.

"**Other Taxes**" shall mean any and all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes arising from any payment made under any Loan Document or from the execution, delivery, performance, assignment, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.09(a) or (b)).

"**Participant Register**" has the meaning given to it in Section 11.13.

"**Patent License**" means any written agreement granting any right with respect to any invention on which a Patent is in existence or a Patent application is pending, in which agreement the Borrower now holds or hereafter acquires any interest.

"**Patents**" means all letters patent of, or rights corresponding thereto, in the United States of America or in any other country, all registrations and recordings thereof, and all applications for letters patent of, or rights corresponding thereto, in the United States of America or any other country.

"**Payment Date**" means the 15th day of each calendar month beginning with October 15, 2020 or, if any such date shall not be a Business Day, the immediately following Business Day.

"**Payment Date Statement**" shall have the meaning set forth therefor in Section 2.1(d).

"**Permitted Acquisition**" shall mean any acquisition (including by way of merger) by the Borrower of all or substantially all of the assets of another Person, or of a division or line of business of another Person, or capital stock of another Person, in each case located entirely within the United States of America, which is conducted in accordance with the following requirements:

(i) such acquisition is of a business or Person engaged in a line of business related to that of the Borrower or its Subsidiaries;

(ii)if such acquisition is structured as a stock acquisition, then the Person so acquired shall either (x) become a wholly-owned Subsidiary of the Borrower or of a Subsidiary and the Borrower shall comply, or cause such Subsidiary to comply, with Section 7.13 (including without limitation entering into a Joinder Agreement) or (y) such Person shall be merged with and into a Borrower Entity (with such Borrower Entity being the surviving entity);

(iii)if such acquisition is structured as the acquisition of assets, such assets shall be acquired by the Borrower, and shall be free and clear of Liens other than Permitted Liens;

(iv)the Borrower shall have delivered to the Agent and the Lenders not less than 15 nor more than 45 days prior to the date of such acquisition, notice of such acquisition together with *pro forma* projected financial information, copies of all material documents relating to such acquisition, and historical financial statements for such acquired entity, division or line of business, in each case in form and substance satisfactory to the Lenders and demonstrating compliance with the covenants set forth in Section 7.2 on a *pro forma* basis;

(v)both immediately before and after such acquisition all Financial Covenants shall be satisfied and no Default or Event of Default shall have occurred and be continuing; and

(vi)the sum of the purchase price of such proposed new acquisition, computed on the basis of total acquisition consideration paid or incurred, or to be paid or incurred, by the Borrower with respect thereto, including the amount of Permitted Indebtedness assumed or to which such assets, businesses or business or ownership interest or shares, or any Person so acquired, is subject, shall not be greater than (x) $250,000 for any single acquisition or group of related acquisitions or (y) $500,000 for all such acquisitions during the term of this Agreement; provided, however, if the Borrower proposes that the purchase price of any such new acquisition be paid solely through the issuance of Equity Interests by a Borrower Entity, the Borrower shall provide notice thereof to the Agent, along with a reasonably detailed post-acquisition *pro forma* financial model, and if the Agent provides its written consent to such acquisition, the value thereof shall not be counted against the thresholds set forth in the foregoing clauses (x) and (y); provided further that the terms of this clause (vi) (other than this proviso) shall not be a requirement for any acquisition if at the time of such acquisition and after giving effect thereto the Borrower's Liquidity is in excess of the product of (A) the Minimum Liquidity Target for the date nearest to the date of such acquisition multiplied by (B) 1.5.

"**Permitted Indebtedness**" means: (i) Indebtedness of the Borrower in favor of the Lenders or the Agent arising under this Agreement or any other Loan Document; (ii) Indebtedness incurred pursuant to the East West Credit Agreement incurred in accordance with Section 8.12 and the Intercreditor Agreement; (iii) Indebtedness existing on the Closing Date which is disclosed in, and subject to the limitations set forth in, **Schedule 1A**; (iv) Indebtedness of up to $200,000 outstanding at any time secured by a Lien described in clause (viii) of the defined term "Permitted Liens," provided such Indebtedness does not exceed the cost of the Equipment or Intellectual Property financed with such Indebtedness; (v) Trade Payables; (vi) reimbursement obligations in connection with trade letters of credit entered into in the ordinary course of business and, to the extent not subject to an Excluded Account, cash management services (including credit cards, debit cards and other similar instruments) that are secured by Cash and issued on behalf of the Borrower or a Subsidiary thereof in an amount not to exceed $200,000 at any time outstanding; (vii) Indebtedness secured by a Lien described in clause (xi) of the defined term "Permitted Liens"; (viii) extensions, refinancings and renewals of any items of Permitted Indebtedness; provided that the principal amount is not increased or the terms modified to impose materially more burdensome terms upon the Borrower or its Subsidiary, as the case may be; (ix) other unsecured Indebtedness in an amount not to exceed $200,000 in the aggregate; and (x) the Huddled Masses Notes as in effect on the Closing Date.

"**Permitted Investment**" means: (i) Investments existing on the Closing Date which are disclosed inSchedule 1B; (ii) (a) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency or any State thereof maturing within one year from the date of acquisition thereof currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Services, (b) commercial paper maturing no more than one year from the date of creation thereof and currently having a rating of at least A-2 or P-2 from either Standard & Poor's Corporation or Moody's Investors Service, (c) certificates of deposit issued by any bank with assets of at least $250,000,000 maturing no more than one year from the date of investment therein, and (d) money market accounts; (iii) repurchases of stock from current or former employees, directors, or consultants of the Borrower under the terms of applicable repurchase agreements at the original issuance price of such securities in an aggregate amount not to exceed $250,000 in any fiscal year; provided that no Event of Default has occurred, is continuing or could exist after giving effect to the repurchases; (iv) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of the Borrower's business; (v) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions to, customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this subparagraph (vi) shall not apply to Investments of the Borrower in any Subsidiary; (vi) Investments consisting of loans not involving the net transfer on a substantially contemporaneous basis of cash proceeds to employees, officers or directors relating to the purchase of capital stock or other Equity Interests of Borrower Entity pursuant to employee stock purchase plans or other similar agreements approved by the Borrower Entity's Board of Directors (or, if not a corporation, its equivalent authorizing body); (vii) Investments consisting of travel advances in the ordinary course of business; (viii) Investments in newly-formed Subsidiaries; provided that any such Subsidiary that is or is expected to become a Qualified Subsidiary enters into a Joinder Agreement promptly after its formation by the Borrower and executes such other documents as shall be reasonably requested by the Agent; and (ix) additional Investments (including Permitted Acquisitions) that do not exceed $200,000 in the aggregate in any fiscal year if, at the time of such Investment and after giving effect thereto, the Borrower is in compliance with the covenants set forth in Section 7.2 (or, for any period prior to December 31, 2020, would be in compliance if the requirement thereunder were in effect as of the date of such Investment).

"**Permitted Liens**" means any and all of the following: (i) Liens in favor of the Agent or the Lenders; (ii) Liens under the East West Credit Agreement and the other East West Loan Documents to the extent of Permitted Indebtedness thereunder; (iii) Liens existing on the Closing Date which are disclosed in Schedule 1C; (iv) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings; provided that the Borrower maintains adequate reserves therefor in accordance with GAAP; (v) Liens securing claims or demands of materialmen, artisans, mechanics, carriers, warehousemen, landlords and other like Persons arising in the ordinary course of the Borrower's business and imposed without action of such parties; (vi) Liens arising from judgments, decrees or attachments in circumstances which do not constitute an Event of Default hereunder; (vii) Liens on deposits held in an Excluded Account; (viii) Liens on Equipment or software or other intellectual property constituting purchase money Liens and Liens in connection with capital leases securing Indebtedness permitted in clause (iv) of "Permitted Indebtedness"; (ix) Liens incurred in connection with Subordinated Indebtedness permitted pursuant to Section 8.2; (x) leasehold interests in leases or subleases and licenses granted in the ordinary course of business and not interfering in any material respect with the business of the licensor; (xi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of custom duties that are promptly paid on or before the date they become due; (xii) Liens on insurance proceeds securing the payment of financed insurance premiums that are promptly paid on or before the date they become due (provided that such Liens extend only to such insurance

proceeds and not to any other property or assets); (xiii) statutory and common law rights of set-off and other similar rights as to deposits of cash and securities in favor of banks, other depository institutions and brokerage firms; (xiv) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business so long as they do not materially impair the value or marketability of the related property; (xv) (A) Liens on Cash securing obligations permitted under clause (vi) of the definition of Permitted Indebtedness and (B) security deposits in connection with real property leases, the combination of (A) and (B) in an aggregate amount not to exceed $300,000 at any time; (xvi) sales, transfers or other dispositions of assets permitted by Section 8.4 and, in connection therewith, customary rights and restrictions contained in agreements relating to such transactions pending the completion thereof or during the term thereof, and any option or other agreement to sell, transfer, license, sublicense, lease, sublease or dispose of an asset permitted by Section 8.4, in each case, such terms being agreed to and such transactions entered into in the ordinary course of business; and (xvii) Liens incurred in connection with the extension, renewal or refinancing of the Indebtedness secured by Liens of the type described in clauses (i) through (xvi) above; provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness being extended, renewed or refinanced (as may have been reduced by any payment thereon) does not increase.

"**Person**" means any individual, sole proprietorship, partnership, joint venture, trust, estate, unincorporated organization, association, corporation, limited liability company, institution, or other legal entity or organization or any government.

"**Plan**" shall mean an employee benefit or other plan (a) established or maintained by the Borrower, the Guarantor or any of their ERISA Affiliates during the five year period ended prior to the date of this Agreement or to which the Borrower, the Guarantor or any of their ERISA Affiliates makes, is obligated to make or has, within the five year period ended prior to the date of this Agreement, been required to make contributions and (b) that is covered by Title IV of ERISA, other than a Multiemployer Plan.

"**Prepayment Charge**" has the meaning given to it in Section 2.4(c).

"**Qualified Subsidiary**" means any Subsidiary of DDH which holds material assets of the type to be included in the Collateral.

"**Receivables**" means (i) all of the Borrower's Accounts, Instruments, Documents, Chattel Paper, Supporting Obligations, letters of credit, proceeds of any letter of credit, and Letter of Credit Rights, and (ii) all customer lists, software, and business records related thereto.

"**Register**" has the meaning given to it in Section 11.13.

"**Related Parties**" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"**Required Lenders**" means at any time, the holders of more than 66-2/3% of the sum of the aggregate unpaid principal amount of the Loans then outstanding.

"**Resignation Effective Date**" shall have the meaning set forth therefor in Section 11.17.

"**Reviewed Financial Statements**" means, for any fiscal year of DDH and its Subsidiaries (being, as of the Closing Date, for the fiscal year ended December 31, 2019) and the related consolidated statements of income or operations, shareholders' equity and cash flows for such fiscal year, that have been reviewed by independent accountants.

"**Rights to Payment**" has the meaning given to it in Section 3.1.

"**Sanctioned Country**" means, at any time, a country or territory which is the subject or target of any Sanctions.

"**Sanctioned Person**" means, at any time, (i) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (ii) any Person operating, organized or resident in a Sanctioned Country or (iii) any Person controlled by any such Person.

"**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (i) the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or (ii) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"**Scheduled Maturity Date**" means September 15, 2023.

"**Secured Obligations**" means the Borrower's obligations under this Agreement and any Loan Document, including any obligation to pay any amount now owing or later arising.

"**Secured Parties**" means the Lenders and the Agent.

"**Solvent**" means, as to any Person as of any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair saleable value of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"**Specified Financial Covenants**" has the meaning given to it in Section 10.2.

"**Subordinated Indebtedness**" means Indebtedness that (i) is subordinated to the Secured Obligations in all respects, (ii) matures, and provides for no mandatory payments of principal until, after the Scheduled Maturity Date, (iii) is subject to standstill and other intercreditor provisions acceptable to the Agent in its sole discretion, (iv) is in amounts and on other terms and conditions satisfactory to the Agent in its sole discretion and (v) is subject to a Subordination Agreement in form and substance satisfactory to the Agent in its sole discretion.

"**Subordination Agreement**" means any subordination agreement or other intercreditor agreement entered into by the Agent with respect to Subordinated Indebtedness pursuant to Section 8.2.

"**Subsidiary**" means an entity, whether corporate, partnership, limited liability company, joint venture or otherwise, in which a Borrower Entity owns or controls 50% or more of the outstanding voting securities, including each entity listed on Schedule 1D hereto.

"**Tax Distributions**" means quarterly tax distributions by DDH to its constituent members in the amount necessary to satisfy U.S. federal, state and local income tax obligations allocated to such members based on the taxable income of DDH and its Subsidiaries on a consolidated basis for such taxable year, in an aggregate amount determined in accordance with the terms of the organizational documents of DDH. DDH may make such distributions after the end of the taxable year, or make such distributions on a quarterly basis during the taxable year to reflect estimated tax obligations of the members and their direct or indirect equityholders; provided that any such quarterly distribution made to a member shall not exceed the amount of taxes actually estimated in good faith by the Borrower to be payable by such member in respect of its direct or indirect interest in DDH for such quarter. For the avoidance of doubt, Tax Distributions based on estimates shall be made on a "rolling basis" and will be trued-up at least annually.

"**Taxes**" shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"**Total Debt**" means shall mean, at any time, the total Indebtedness of the Borrower and the Subsidiaries at such time.

"**Total Leverage Ratio**" shall mean, for any date, the ratio of Total Debt as of such date to the EBITDA for the period ending on such date determined on a Last Twelve Months Basis.

"**Trademark License**" means any written agreement granting any right to use any Trademark or Trademark registration, now owned or hereafter acquired by the Borrower or in which the Borrower now holds or hereafter acquires any interest.

"**Trademarks**" means all trademarks (registered, common law or otherwise) and any applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States of America, any State thereof or any other country or any political subdivision thereof.

"**Trade Payables**" means amounts billed to the Borrower by its suppliers for goods delivered to or services performed for the Borrower in the ordinary course of business.

"**Transition Deposit Account**" has the meaning given to it in Section 7.12.

"**UCC**" means the Uniform Commercial Code as the same is, from time to time, in effect in the State of New York; provided that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, the Agent's Lien on any Collateral is governed by the Uniform Commercial Code as the same is, from time to time, in effect in a jurisdiction other than the State of New York, then the term "UCC" shall mean the Uniform Commercial Code as in effect, from time to time, in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

"**USDM Holdings**" shall mean USDM Holdings, Inc., a Texas corporation.

"**U.S. Person**" shall mean a Person that is a "United States person" as defined in Section 7701(a)(30) of the Code.

"**Wholly-Owned**" means, as to a Subsidiary of a Person, a Subsidiary of such Person all of the outstanding Equity Interests of which (other than (a) director's qualifying shares and (b) shares issued to foreign nationals to the extent required by applicable law) are owned by such Person and/or by one or more Wholly-Owned Subsidiaries of such Person.

Unless otherwise specified, all references in this Agreement or any Annex or Schedule hereto to a "Section," "subsection," "Exhibit," "Annex," or "Schedule" shall refer to the corresponding Section, subsection, Exhibit, Annex, or Schedule in or to this Agreement. Unless otherwise specifically provided herein, any accounting term used in this Agreement or the other Loan Documents shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP, consistently applied. Unless otherwise defined herein or in the other Loan Documents, terms that are used herein or in the other Loan Documents and defined in the UCC shall have the meanings given to them in the UCC. Unless otherwise specified, all references in this Agreement to the "Borrower" or to "DDH and its Subsidiaries" and all similar references shall refer to such entities after giving effect to the Orange 142 Acquisition and accordingly shall include Orange 142 and its Subsidiaries.

SECTION 2. THE LOAN

2.1 **The Loan**.

(a) ***The Loan***. Subject to the terms and conditions of this Agreement, the Lenders will severally (and not jointly) make a Loan to the Borrower in an aggregate amount equal to $12,825,000, allocated among the Lenders as set forth on Schedule 2.1 hereto, on the Closing Date.

(b) ***Interest***. The principal balance of the Loan shall bear interest thereon from the Closing Date at the Interest Rate, with interest computed daily based on the actual number of days elapsed in a year consisting of 365 days, payable on each Payment Date in an amount accrued during the preceding Accrual Period and not

previously paid.

(c) ***Principal***. The Borrower shall repay a portion of the outstanding Loan principal balance on each Amortization Date in an amount equal to 37.5% of Excess Cash Flow over the preceding 6 calendar months (e.g., for the Amortization Date in January 2021, over the calendar months of July 2020 through December 2020) until the Loan is paid in full. The entire remaining Loan principal balance, and all accrued but unpaid interest thereon and all other Secured Obligations hereunder, shall be due and payable on the Maturity Date.

(d) ***Payments***. No later than 10:00 a.m. New York City time on each Payment Date, the Agent shall provide a statement (each, a "**Payment Date Statement**") to DDH and each of the Lenders setting forth the interest, principal and other amounts due to each Lender on such Payment Date, which Payment Date Statement shall be final, and binding upon the Lenders, absent manifest error. DDH shall be entitled to rely on each such Payment Date Statement, and no Default or Event of Default shall be deemed to occur as a result of DDH's failure to make any payment or portion thereof due on the related Payment Date, so long as payments are timely made in accordance with the provisions of such Payment Date Statement (including prompt payment of any additional amounts required following any subsequent correction thereof). The Borrower shall make each payment (including principal of or interest on any Loan or any fees or other amounts) hereunder and under any other Loan Document not later than 12:00 (noon), New York City time, on the date when due in immediately available Dollars, without setoff, defense or counterclaim. Each such payment shall be made to the Agent or applicable Lender by wire transfer to the account for the Agent or such Lender, as applicable, specified in Schedule 2.1, or such other account or address specified by the Agent or the applicable Lender by notice to the Borrower and the Agent, and shall be deemed received only when actually received by the Agent or the Lender, as applicable, in New York, New York at such account and address. The Borrower agrees to make payments with respect to the Advance of any Lender directly to such Lender. Nevertheless, the Agent shall promptly distribute to each Lender any payments received by the Agent on behalf of such Lender. Except as otherwise expressly provided herein, whenever any payment (including principal of or interest on the Loan or any fees or other amounts) hereunder or under any other Loan Document shall become due, or otherwise would occur, on a day that is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, if applicable. The Borrower shall make all payments under this Agreement without setoff, recoupment or deduction and regardless of any counterclaim or defense.

(e) ***Exit Fee***. Upon payment in full of the Loan, whether pursuant to Section 2.1(c) or by a principal prepayment pursuant to Section 2.4, the Borrower shall pay the Exit Fee to the Lenders.

2.2 **Maximum Interest**. Notwithstanding any provision in this Agreement or any other Loan Document, it is the parties' intent not to contract for, charge or receive interest at a rate that is greater than the maximum rate permissible by law that a court of competent jurisdiction shall deem applicable hereto (which under the laws of the State of New York shall be deemed to be the laws relating to permissible rates of interest on commercial loans) (the "**Maximum Rate**"). If a court of competent jurisdiction shall finally determine that the Borrower has actually paid to the Lenders an amount of interest in excess of the amount that would have been payable if all of the Secured Obligations had at all times borne interest at the Maximum Rate, then such excess interest actually paid by the Borrower shall be applied as follows: first, to the payment of the Secured Obligations consisting of the outstanding principal; second, after all principal is repaid, to the payment of the Lenders' accrued interest, costs, expenses, professional fees and any other Secured Obligations; and third, after all Secured Obligations are repaid, the excess (if any) shall be refunded to the Borrower.

2.3 **Default Interest**. Upon the occurrence and during the continuation of an Event of Default hereunder, all Secured Obligations, including principal, interest, compounded interest, and professional fees, shall bear interest at a rate per annum equal to the Default Interest Rate. In the event that any interest or other amount is not paid when due hereunder, such delinquent interest or other amount shall bear interest thereon at the Default Interest Rate until paid.

2.4 **Prepayment**.

(a) At its option upon at least 30 Business Days' prior written notice to the Agent, the Borrower may prepay all or any portion of the principal balance of the Loan; provided that such prepayment is accompanied by a payment of and all accrued and unpaid interest on the amount so prepaid, together with any applicable Prepayment Charge.

(b) The Borrower agrees that the Prepayment Charge is a reasonable calculation of the Lenders' lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early repayment of the Loan. The Borrower shall prepay the outstanding amount of all principal and accrued interest through the prepayment date and the Prepayment Charge upon the occurrence of a Change in Control. Notwithstanding the foregoing, the Agent and the Lenders agree to waive the Prepayment Charge if the Agent and the Lenders (in their sole and absolute discretion) agree in writing to refinance the Loan prior to the Maturity Date.

(c) In connection with any optional or mandatory prepayment, including without limitation a mandatory prepayment due to a Change in Control, due to a sale of a material portion of the Borrower's assets or due to acceleration of the Loan following an Event of Default, the Borrower shall pay to the Lenders a prepayment charge equal to the following percentages of the amount being prepaid (the "**Prepayment Charge**"): (i) if such prepayment is made on or before the first Payment Date after the Closing Date, 30.00% of the principal prepaid; (ii) if such prepayment is made thereafter through the second anniversary of the first Payment Date, a percentage of the principal then prepaid equal to 30.00% minus the product of 1.25% times the number of Payment Dates preceding the date of such prepayment, and if such prepayment is made after the second anniversary of the first Payment Date following the Closing Date, 0.00% of the principal prepaid. There will be no Prepayment Charge in connection with required amortization payments on each Amortization Date pursuant to Section 2.1(c).

(d)Promptly upon receipt thereof, at least 50% of the proceeds of any Disposition of a Material Asset (other than sale of inventory in the ordinary course of business), net of any reasonable and documented expenses incurred in connection with such Disposition, shall be applied to prepayment of the Loan. Such requirement shall be in addition to any mandatory prepayment in full in connection with a Change in Control without the consent of the Agent as restricted pursuant to Sections 8.10 and 9.9, and any restriction on any Disposition of the Borrower's assets pursuant to Sections 8.1 and 8.4.

2.5 **Notes**. If so requested by any Lender by written notice to the Borrower, the Borrower shall execute and deliver to such Lender (and/or, if applicable and if so specified in such notice, to any Person who is an assignee of such Lender pursuant to Section 11.13) (promptly after the Borrower's receipt of such notice) a Note or Notes to evidence such Lender's Advance.

2.6 **Pro Rata Treatment**. Each payment (including prepayment) on account of interest or any fee payable to the Lenders and any reduction in the principal balance of the Loans shall be made *pro rata* according to the respective Advances of the relevant Lenders.

2.7 **Reserve Requirements; Increased Costs**.

(a)Notwithstanding any other provision of this Agreement, if any Change in Law shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of or credit extended by any Lender or shall impose on such Lender any Taxes (other than

Indemnified Taxes or the imposition of, or any increase in the rate of, any Excluded Taxes) or any other condition affecting this Agreement or the Advance made by such Lender or any participation therein, and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Advance or increase the cost to any Lender of purchasing or maintaining a participation therein or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise) by an amount deemed by such Lender to be material, then the Borrower will pay to such Lender, upon demand, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered. A certificate from such Lender to DDH certifying, in reasonably specific detail, the basis for, calculation of, and amount of such additional costs or reduced amount receivable shall be conclusive in the absence of manifest error; provided, however, that no Lender shall be required to disclose any confidential or tax planning information in any such certificate.

(b)If any Lender shall have determined that any Change in Law regarding capital adequacy has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender pursuant hereto to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered. A certificate from such Lender to DDH certifying, in reasonably specific detail, the basis for, calculation of, and amount of such reduced amount receivable shall be conclusive in the absence of manifest error; provided, however, that no Lender shall be required to disclose any confidential or tax planning information in any such certificate.

(c)A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as applicable, as specified in paragraph (a) or (b) above shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate delivered by it within 10 days after its receipt of the same.

(d)Failure or delay on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital shall not constitute a waiver of such Lender's right to demand such compensation; provided that the Borrower shall not be under any obligation to compensate any Lender under paragraph (a) or (b) above with respect to increased costs or reductions with respect to any period prior to the date that is 180 days prior to such request if such Lender knew or could reasonably have been expected to know of the circumstances giving rise to such increased costs or reductions and of the fact that such circumstances would result in a claim for increased compensation by reason of such increased costs or reductions; provided further that the foregoing limitation shall not apply to any increased costs or reductions arising out of the retroactive application of any Change in Law within such 180-day period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the Change in Law that shall have occurred or been imposed.

2.8 **Taxes**

(a)Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction or withholding for any Taxes, except as required by applicable law; provided that, if any Borrower Entity or Guarantor shall be required by applicable law to deduct or withhold any Taxes from such payments, then (i) in the case of Indemnified Taxes, the sum payable shall be increased as necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under this Section) the Agent and each Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions or withholdings, and (iii) the Borrower shall pay the full amount so deducted or withheld to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c)The Borrower shall indemnify the Agent and each Lender within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Agent on behalf of itself or a Lender shall be conclusive absent manifest error.

(d)As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(e)Any Lender that is a U.S. Person shall deliver to the Borrower and the Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Agent) executed copies of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Agent, at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will permit such payments to be made without withholding or at a reduced rate. In addition, any Lender, to the extent it is legally entitled to do so, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower (or the Agent) to determine whether or not such Lender is subject to backup withholding or information reporting requirements. If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with its obligations under FATCA and to determine that such Lender has complied with its obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of the preceding sentence, "FATCA" shall include any amendments made to FATCA after the date of this Agreement. Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Agent in writing of its legal inability to do so.

(f)If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.8 (including by the payment of additional amounts pursuant to this Section 2.8), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.8 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 2.8(f) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.8(f), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 2.8(f) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(g)Each party's obligations under this Section 2.8 shall survive any assignment of rights by, or the replacement of, any Lender or the Agent, and the repayment, satisfaction or discharge of all obligations under any Loan Document.

2.9 **Duty to Mitigate**.

(a)In the event (i) any Lender delivers a certificate requesting compensation pursuant to Section 2.7 or (ii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.8, then, in each case, the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, require such Lender to transfer and assign, without recourse (in accordance with and subject to the restrictions contained in Sections 12.7 and 12.13), all of its interests, rights and obligations under this Agreement to an eligible Assignee (which assignee may be another Lender, if a Lender accepts such assignment); *provided* that (x) such assignment shall not conflict with any law, rule or regulation or order of any court or other Governmental Authority having jurisdiction, (y) the Borrower shall have received the prior written consent of the Agent, which consent shall not unreasonably be withheld or delayed, and (z) the Borrower or such assignee shall have paid to the affected Lender in immediately available funds an amount equal to the sum of the principal of and interest accrued to the date of such payment on the outstanding Advance of such Lender plus all fees and other amounts accrued for the account of such Lender hereunder with respect thereto (including any amounts under Section 2.7); *provided further* that, if prior to any such transfer and assignment the circumstances or event that resulted in such Lender's claim for compensation under Section 2.7 or the amounts paid pursuant to Section 2.8, as the case may be, cease to cause such Lender to suffer increased costs or reductions in amounts received or receivable or reduction in return on capital, or cease to result in amounts being payable under Section 2.8, as the case may be (including as a result of any action taken by such Lender pursuant to paragraph (b) below), or if such Lender shall waive its right to claim further compensation under Section 2.7 in respect of such circumstances or event or shall waive its right to further payments under Section 2.8 in respect of such circumstances or event, then such Lender shall not thereafter be required to make any such transfer and assignment hereunder.

(b)If (i) any Lender shall request compensation under Section 2.7 or (ii) the Borrower is required to pay any additional amount to any Lender or any Governmental Authority on account of any Lender pursuant to Section 2.8, then such Lender shall use reasonable efforts (which shall not require such Lender to incur an unreimbursed loss or unreimbursed cost or expense or otherwise take any action inconsistent with its internal policies or legal or regulatory restrictions or suffer any disadvantage or burden deemed by it to be significant) (x) to file any certificate or document reasonably requested in writing by the Borrower or (y) to assign its rights and delegate and transfer its obligations hereunder to another of its offices, branches or affiliates, if such filing or assignment would reduce its claims for compensation under Section 2.7 or would reduce amounts payable pursuant to Section 2.8, as the case may be, in the future. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such filing or assignment, delegation and transfer.

SECTION 3. SECURITY INTEREST

3.1 **Grant of Security Interest**.

(a)As security for the prompt and complete payment when due (whether on Payment Dates, on the Maturity Date or otherwise) of all the Secured Obligations, the Borrower grants to the Agent, for the benefit of the Secured Parties, a security interest in all of the Borrower's right, title, and interest in, to and under all of the Borrower's property and other assets including without limitation the following (except as set forth herein) whether now owned or hereafter acquired (collectively, the "**Collateral**"): (a) Receivables; (b) Equipment; (c) Fixtures; (d) General Intangibles; (e) Intellectual Property and all Accounts and General Intangibles that consist of rights to payment and proceeds from the sale, licensing or disposition of all or any part of, or rights in, the Intellectual Property (the "**Rights to Payment**"); (f) Inventory; (g) Investment Property; (h) Deposit Accounts; (i) Cash; (j) Goods; and all other tangible and intangible personal property of the Borrower whether now or hereafter owned or existing, leased, consigned by or to, or acquired by, the Borrower and wherever located, and any of the Borrower's property in the possession or under the control of the Agent; and, to the extent not otherwise included, all Proceeds of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of each of the foregoing.

(b) The Collateral identified pursuant to paragraph (a) above shall specifically include:

(i) the Borrower's interest in each of the Material Contracts, including all rights to payment thereunder and rights to enforcement thereof;

(ii)the interests of the Borrower and the Borrower's Qualified Subsidiaries in their Intellectual Property, including the Intellectual Property identified on Exhibit C, as amended by the Borrower from time to time pursuant to Section 7.8;

(iii) all shares of common stock or other Equity Interests in each Borrower Entity's direct Subsidiaries, if any;

(iv)all Accounts and General Intangibles that consist of rights to payment for services rendered or representing proceeds from the sale, licensing or disposition of all or any part of, or rights in, the Borrower's Equipment or Intellectual Property;

(v) all Equipment owned by the Borrower and the Borrower's Qualified Subsidiaries;

(vi) the Orange 142 Acquisition Agreement and all of the Borrower's rights and interests therein; and

(vii) the Borrower's leasehold interest in any real property.

3.2 **Excluded Property**. Notwithstanding the broad grant of the security interest set forth in Section 3.1, above, the Collateral shall not include (a) any "intent to use" trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise; provided, that upon submission and acceptance by the United States Patent and Trademark Office of an amendment to allege use of an intent-to-use trademark application pursuant to 15 U.S.C. Section 1060(a) (or any successor provision) such intent-to-use application shall constitute Collateral, and (b) nonassignable licenses or contracts, which by their terms require the consent of the licensor thereof or another party, to the extent identified as nonassignable on Exhibit C or Exhibit H (but only to the extent such prohibition on transfer is enforceable under applicable law, including, without limitation, Sections 9-406, 9-407 and 9-408 of the UCC).

3.3 **Delivery of Collateral**. All certificates or instruments representing or evidencing Collateral (other than such Collateral having an aggregate value of no more than $10,000) shall be delivered to and held by the Agent pursuant to this Agreement, shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Agent and, to the extent not constituting an assignment, shall be irrevocable powers of attorney coupled with an interest. Upon the occurrence of an Event of Default, the Agent shall have the right, at any time and without notice to the Borrower or any Secured Party, to transfer to or to register in the name of the Agent or any of its nominees any or all of the Collateral.

3.4 **Borrower Remains Liable**. Notwithstanding anything in this Agreement to the contrary, (a) each of the Borrower Entities who are parties thereto shall remain liable under the Material Contracts and other agreements included in the Collateral to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent as agent of the Lenders or by the Agent as agent of the Secured Parties of any of its rights under this Agreement shall not release the Borrower from any of its duties or obligations under the Material Contracts or other agreements included in the Collateral, (c) the Agent as agent of the Lenders and the Agent as agent of the Secured Parties shall not have any obligation or liability under the Material Contracts or other agreements included in the Collateral by reason of this Agreement, and (d) neither the Agent nor any of the Lenders shall be obligated to perform any of the obligations or duties of the Borrower under the Material Contracts or other agreements included in the Collateral or to take any action to collect or enforce any claim for payment assigned under this Agreement.

3.5 **Further Assurances; Financing Statements**.

(a)The Borrower agrees that, at any time and from time to time, it shall at the expense of the Borrower promptly authorize, execute and deliver, as applicable, all further instruments and documents and take all further action that may be necessary or desirable or that the Agent may reasonably request to maintain the perfection of the Agent's security interest in the Collateral. Without limiting the generality of the foregoing, the Borrower shall authorize, execute and file, as applicable, such financing or continuation statements, or amendments thereto, and such other instruments or notices as may be necessary or desirable or that the Agent may request to perfect the assignments and security interests granted by this Agreement.

(b)The Borrower and the Lenders hereby severally authorize the Agent to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of the Borrower or the Secured Parties where permitted by law. A photographic or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Agent will promptly send to the Borrower any financing or continuation statements thereto which it files without the signature of the Borrower. The Agent will promptly send the Borrower or the Secured Parties, as the case may be, the filing or recordation information with respect thereto.

(c)The Borrower shall furnish to the Agent from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Agent may reasonably request, all in reasonable detail.

SECTION 4. CONDITIONS PRECEDENT TO LOAN

The obligations of the Lenders to make the Loan hereunder are subject to the satisfaction by the Borrower of the following conditions:

4.1 **Consummation of Acquisition.** The Orange 142 Acquisition Agreement shall be in form and substance reasonably satisfactory to the Agent and the Lenders, all conditions to closing of the Orange 142 Acquisition set forth in the Orange 142 Acquisition Agreement shall have been satisfied or waived with the consent of the Agent, the Orange 142 Acquisition shall have been consummated concurrently with the transactions contemplated hereby and DDH shall become the owner of all Equity Interests of Orange 142 concurrently with the transactions contemplated hereby, and in connection therewith the Agent and Lenders shall have received:

(a) Copies of the Orange 142 Acquisition Documents certified by the Borrowers to be true and correct as of the Closing Date;

(b)Evidence that the Orange 142 Acquisition shall have been consummated in accordance with the terms of the Orange 142 Acquisition Documents and in compliance in all material respects with applicable law and regulatory approvals; and

(c)Evidence that the Borrower shall have received all governmental, shareholder and material third party consents and approvals necessary in connection with any aspect of the Orange 142 Acquisition.

4.2 **Due Diligence**. The Agent shall have completed its due diligence of the Borrower and its Subsidiaries and shall have found such due diligence to be satisfactory.

4.3 **Required Financing Documents**. On or prior to the Closing Date, the Borrower shall have delivered to the Agent and Lenders the following, all in form and substance reasonably satisfactory to the Agent and the Lenders:

(a)executed copies of the Loan Documents, and all other documents and instruments reasonably required by the Agent to effectuate the transactions contemplated hereby or to create and perfect the Liens of the Agent with respect to all Collateral, including without limitation:

(i) copies of all filings to be made under the UCC, in form for filing;

(ii) copies of all filings to be made with respect to Intellectual Property, in form for filing, and

(iii)stock certificates representing common stock (and any other certificated Equity Interest) of any of the Borrower's Subsidiaries pledged hereunder, together with fully executed stock powers in blank executed by the registered owner thereof;

(b)copies of the certificate of incorporation, certificate of organization or other organizational document of each Borrower Entity, as amended and/or amended and restated through the Closing Date, certified by the Secretary of State of its respective state of organization;

(c)a certificate of good standing for each Borrower Entity from the Secretary of State of its respective state of organization and similar certificates from all other jurisdictions in which such Borrower Entity does business and where the failure to be qualified could have a Material Adverse Effect;

(d)a certificate of the secretary of each Borrower Entity as to (i) an attached copy of resolutions of such entity's board of directors (or, for any limited liability company, comparable documentation) evidencing approval of the Loan and other transactions evidenced by the Loan Documents; (ii) an attached copy of the by-laws (or, where applicable, limited liability company operating agreement) of such entity, as amended and/or amended and restated through the Closing Date, and (iii) incumbency and signatures of officers of such entity who executed any of the Loan Documents;

(e)a certificate of an officer of DDH as to accuracy of representations and warranties set forth in Section 5 and satisfaction of conditions set forth in this Section 4;

(f) the Reviewed Financial Statements of each of DDH and its Subsidiaries and Orange 142 and its Subsidiaries for the fiscal year ended December 31, 2019 and the unaudited Financial Statements thereof for the each of the first two fiscal quarters of the fiscal year ending December 31, 2020;

(g) all certificates of insurance and copies of each insurance policy required hereunder;

(h)a legal opinion of McGuire Woods LLP, special counsel to the Borrower, as to corporate authority; due authorization, execution and delivery, enforceability, perfection of the security interest granted hereunder, absence of conflicts and such other matters with respect to the transactions hereunder or the Orange 142 Acquisition as the Agent shall reasonably request;

(i)upon the reasonable request of any Lender made at least ten days prior to the Closing Date, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including the PATRIOT Act, in each case at least five days prior to the Closing Date;

(j) such other documents as the Agent may reasonably request.

4.4 **Payment of Fees and Expenses**. The Agent shall have received the Origination Fee and reimbursement of the Agent's and the Lenders' current expenses reimbursable pursuant to this Agreement and the Fee Letter, which amounts may be deducted from the amount advanced in respect of the Loan on the Closing Date.

4.5 **Compliance**. All representations and warranties set forth in Section 5 shall be true and correct in all material respects as of the Closing Date, except that representations and warranties made as of a prior date shall be true and correct in all material respects as of such prior date, and the Borrower shall be in compliance with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed on or before the Closing Date.

4.6 **No Default**. As of the Closing Date, (i) no fact or condition exists that could (or could, with the passage of time, the giving of notice, or both) constitute an Event of Default and (ii) no event that has had or could reasonably be expected to have a Material Adverse Effect has occurred and is continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants to the Agent and the Lenders as of the date hereof and on each date thereafter until all Secured Obligations (other than contingent indemnification obligations as to which no claim has been asserted) are paid in full that:

5.1 **Corporate Status**. Each Borrower Entity and, each of its Subsidiaries (a) is duly organized, legally existing and in good standing under the laws of its state of organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and in good standing in all jurisdictions in which the nature of its business or location of its properties require such qualification or license and where the failure to be qualified or licensed could reasonably be expected to have a Material Adverse Effect. Each Borrower Entity's present name, former names (if any), locations, place of formation, tax identification number, organizational identification number and other information are correctly set forth in Exhibit B, as may be updated by the Borrower in a written notice (including any Compliance Certificate) provided to the Agent after the Closing Date.

5.2 **Collateral**. The Borrower owns its interest in the Collateral (including without limitation the Material Contracts and the Intellectual Property) free of all Liens, except for Permitted Liens. Each Borrower Entity has the power and authority to grant to the Agent a Lien in the Collateral as security for the Secured Obligations.

5.3 **Consents**. Each Borrower Entity's execution, delivery and performance of this Agreement and all other Loan Documents to which it is a party, including without limitation delivery of copies of the Material Contracts and other written information provided to the Agent in connection herewith, (i) have been duly authorized by all necessary corporate or limited liability company action of each Borrower Entity, (ii) will not result in the creation or imposition of any Lien upon the Collateral, other than Permitted Liens and the Liens created by this Agreement and the other Loan Documents, (iii) do not violate any provisions of such Borrower Entity's certificate of incorporation, by-laws or other organizational document, or any, law, regulation, order, injunction, judgment, decree or writ to which the Borrower is subject and (iv) do not violate any material contract or material agreement or require the consent or approval of any other Person which has not already been obtained. The individual or individuals executing the Loan Documents are duly authorized to do so.

5.4 **Governmental Authorization; Other Consents**. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Borrower of this Agreement or any other Loan Document, except for such approvals, consents, exemptions, authorizations, actions or notices that have been duly obtained, taken or made and in full force and effect.

5.5 **Financial Statements; No Material Adverse Effect**.

(a)The Reviewed Financial Statements for the fiscal year ended December 31, 2019 and, to the extent subsequently prepared, the Audited Financial Statements for each subsequent fiscal year, were or will be prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and do or will fairly present in all material respects the financial condition of DDH and its Subsidiaries (or, for the period prior to the date of acquisition of Orange 142 by DDH, of Orange 142 and its Subsidiaries) as of the date thereof and their results of operations and cash flows for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein. The unaudited consolidated balance sheet of the DDH and its Subsidiaries (or, for the period prior to the date of acquisition of Orange 142 by DDH, of Orange 142 and its Subsidiaries) and the related consolidated statements of income or operations, shareholders' equity and cash flows for the first two quarters of the fiscal year ending December 31, 2020 and, to the extent subsequently prepared, for each subsequent fiscal year and fiscal quarter, were or will be prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and do or will fairly present in all material respects the financial condition of DDH and its Subsidiaries (or, as applicable, of Orange 142 and its Subsidiaries) as of the date thereof and their results of operations and cash flows for the period covered thereby, subject to the absence of notes and to normal year-end audit adjustments.

(b)No event that has had or could reasonably be expected to have a Material Adverse Effect has occurred since December 31, 2019. The Borrower is not aware of any event likely to occur that is reasonably expected to result in a Material Adverse Effect.

5.6 **Actions Before Governmental Authorities**. There are no actions, suits or proceedings at law or in equity or by or before any governmental authority now pending or, to the knowledge of the Borrower, threatened in writing against or affecting the Borrower or any of their respective properties, that is reasonably expected to result in a Material Adverse Effect.

5.7 **Litigation**. There are no actions, suits, proceedings, claims, disputes or investigations pending or, to the knowledge of the Borrower, threatened, at law, in equity, in arbitration or before any Governmental Authority, by or against the Borrower, any Subsidiary thereof or against any of their properties or revenues that (a) could reasonably be expected to be adversely determined, and, if so determined, either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect or (b) purport to affect or pertain to this Agreement or any other Loan Document or any of the transactions contemplated hereby.

5.8 **Laws**.

(a)Neither DDH nor any of its Subsidiaries is in violation of any law, rule or regulation, or in default with respect to any judgment, writ, injunction or decree of any governmental authority, where such violation or default is reasonably expected to result in a Material Adverse Effect. The Borrower is not in default in any manner under any provision of any agreement or instrument evidencing material Indebtedness, or any other material agreement to which it is a party or by which it is bound.

(b)Neither DDH nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Neither the Borrower nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors), and not more than 25% of the value of the assets of the Borrower, or of the Borrower and its Subsidiaries on a consolidated basis, consists of margin stock. The Borrower and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither DDH nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither DDH's nor any of its Subsidiaries' properties or assets have been used by the Borrower or, to the Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. DDH and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

(c)None of DDH nor any of its Subsidiaries, nor any of the DDH or any of its Subsidiaries nor any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. None of the Borrower nor any of its Subsidiaries nor, to the knowledge of the Borrower, any of their Affiliates or agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law. None of the funds to be provided under this Agreement will be used, directly or indirectly, (a) for any activities in violation of any applicable anti-money laundering, economic sanctions and anti-bribery laws and regulations laws and regulations or (b) for any payment to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

5.9 **Information Correct and Current**. No written information, report, financial statement, exhibit or schedule furnished, by any Borrower Entity to the Agent in connection with any Loan Document or included therein or delivered pursuant thereto contained, or, when taken as a whole, contains or will contain any material misstatement of fact or, when taken together with all other such information or documents, omitted, omits or will omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were, are or will be made, not materially misleading at the time such statement was made or deemed made. Additionally, any and all financial or business projections provided by the Borrower to the Agent, whether prior to or after the Closing Date, shall be (i) provided in good faith and based on the most current data and information available to the Borrower, and (ii) the most current of such projections provided to the Borrower's board of directors (or equivalent governing body) (it being understood for purposes of this Section 5.9 only that such projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Borrower, that no assurance is given that any particular projections will be realized, and that actual results may differ from the projected results).

5.10 **Tax Matters**. Except for those being contested in good faith with adequate reserves under GAAP or where the failure to file such Tax returns or to pay such Taxes would not reasonably be expected to have a Material Adverse Effect, (a) the Borrower has filed all U.S. federal and other material state, local and non-U.S. Tax returns that it is required to file, (b) the Borrower has duly paid or fully reserved for all Taxes or installments thereof (including any interest or penalties) as and when due, which have or may become due, and (c) the Borrower has paid or fully reserved for any Tax assessment received by the Borrower, if any (including any taxes being contested in good faith and by appropriate proceedings).

5.11 **Real Property; Intellectual Property**.

(a) Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect

(b) Except as described on Schedule 5.11, the Borrower has all material rights with respect to Intellectual Property necessary or material in the operation or conduct of its business as currently conducted and proposed to be conducted by it. Without limiting the generality of the foregoing, and in the case of Licenses, except for restrictions that are unenforceable under Article 9 of the UCC, the Borrower has the right, to the extent required to operate the its business, to freely transfer, license or assign Intellectual Property necessary or material in the operation or conduct of its business as currently conducted and proposed to be conducted by it, without condition, restriction or payment of any kind (other than license payments in the ordinary course of business) to any third party, and the Borrower owns or has the right to use, pursuant to valid licenses, all software development tools, library functions, compilers and all other third-party software and other items that are material to its business and used in the design, development, promotion, sale, license, manufacture, import, export, use or distribution of the Borrower Products except customary covenants in inbound license agreements and equipment leases where the Borrower is the licensee or lessee.

5.12 **Environmental Matters**. Except with respect to any matters that, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, neither the Borrower nor any Subsidiary thereof (a) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (b) knows of any basis for any permit, license or other approval required under any Environmental Law to be revoked, canceled, limited, terminated, modified, appealed or otherwise challenged, (c) has or could reasonably be expected to become subject to any Environmental Liability, (d) has received notice of any claim, complaint, proceeding, investigation or inquiry with respect to any Environmental Liability (and no such claim, complaint, proceeding, investigation or inquiry is pending or, to the knowledge of the Borrower, is threatened or contemplated) or (e) knows of any facts, events or circumstances that could give rise to any basis for any Environmental Liability of the Borrower or any Subsidiary.

5.13 **Intellectual Property Claims.** The Borrower is the sole owner of, or otherwise has the right to use, the Intellectual Property material to the Borrower's business. Except as described on Schedule 5.13, (i) each of the material Copyrights, Trademarks and Patents is valid and enforceable, (ii) no material part of the Intellectual Property has been judged invalid or unenforceable, in whole or in part, and (iii) no claim has been made to the Borrower that any material part of the Intellectual Property violates the rights of any third party. Exhibit C (as it may be updated from time to time by the Borrower pursuant to Section 7.9) is a true, correct and complete list of each of the Borrower's Patents, registered Trademarks, registered Copyrights, and material agreements under which the Borrower licenses Intellectual Property from third parties, together with application or registration numbers, as applicable, owned by the Borrower or any Subsidiary. The Borrower is not in material breach of, nor has the Borrower failed to perform any material obligations under, any of the foregoing contracts, licenses or agreements and, to the Borrower's knowledge, no third party to any such contract, license or agreement is in material breach thereof or has failed to perform any material obligations thereunder. The Borrower owns or has licenses or the right to use all Patents, registered Trademarks, and registered Copyrights (other than, in each case, any such Patents, Trademarks or Copyrights that are not, in whole or in any part, required, necessary or desirable in connection with, or otherwise applicable to, (i) the Borrower's compliance with, or the activities contemplated under, any Material Contract or other material agreement to which the Borrower is a party, (ii) the current or contemplated business activities or prospects of the Borrower or (iii) the Borrower's compliance with applicable laws, rules and regulations, or non-infringement upon third-party rights, in connection with any of the foregoing). Each of the Patents, Trademarks and Copyrights owned by the Borrower or which the Borrower licenses or otherwise has the right to use is identified on Exhibit C.

5.14 **Borrower Products**. Except as described on Schedule 5.14, no Intellectual Property owned by the Borrower nor any Borrower Product has been or is subject to any actual or, to the knowledge of the Borrower, threatened in writing litigation, proceeding (including any proceeding in the United States Patent and Trademark Office or any corresponding foreign office or agency) or outstanding decree, order, judgment, settlement agreement or stipulation that restricts in any manner the Borrower's use, transfer or licensing thereof or that may affect the validity, use or enforceability thereof. There is no decree, order, judgment, agreement, stipulation, arbitral award or other provision entered into in connection with any litigation or proceeding that obligates the Borrower to grant licenses or ownership interest in any future Intellectual Property related to the operation or conduct of the business of the Borrower or the Borrower Products. The Borrower has not received any written notice or claim, or, to the knowledge of the Borrower, oral notice or claim, challenging or questioning the Borrower's ownership in any material Intellectual Property (or written notice of any claim challenging or questioning the ownership in any licensed Intellectual Property of the owner thereof) or suggesting that any third party has any claim of legal or beneficial ownership with respect thereto nor, to the Borrower's knowledge, is there a reasonable basis for any such claim. Neither the Borrower's use of its Intellectual Property nor the production and sale of the Borrower Products infringes the Intellectual Property or other rights of others in any material respect.

5.15 **Financial Accounts**. Exhibit D, as may be updated by the Borrower in a written notice provided to the Agent after the Closing Date, is a true, correct and complete list of (a) all banks and other financial institutions at which the Borrower or any Subsidiary maintains Deposit Accounts and (b) all institutions at which the Borrower or any Subsidiary maintains an account holding Investment Property, and such exhibit correctly identifies the name, address and telephone number of each bank or other institution, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.16 **Employee Loans**. Other than to the extent constituting Permitted Investments, the Borrower has no outstanding loans to any employee, officer or director of the Borrower nor has the Borrower guaranteed the payment of any loan made to an employee, officer or director of the Borrower by a third party.

5.17 **Capitalization and Subsidiaries**. DDH's capitalization as of the Closing Date is set forth on Schedule 5.17 annexed hereto. The Borrower does not own any stock, partnership interest or other securities of any Person, except for Permitted Investments. The Borrower has no Affiliates other than (i) the Borrower Entities, (ii) direct and indirect owners of DDH, and (iii) Orange 142 Advertising Canada, Inc., a wholly-owned subsidiary of Orange 142 which has been, and will continue to be, inactive since its incorporation, which has and will continue to have no assets or liabilities and which will be dissolved within one month after the Closing Date. HMC Operations, LLC, a Texas corporation, was merged into DDH prior to the date hereof.

5.18 **Solvency**. The Borrower is Solvent.

5.19 **ERISA**. Neither any Borrower Entity nor any of their ERISA Affiliates maintains, makes contributions to, or has any obligations with respect to any Plans or Multiemployer Plans. No Borrower Entity is a "benefit plan investor" as defined in section 3(42) of ERISA.

5.20 **Orange 142 Agreement**. All representations made in the Orange 142 Acquisition Agreement by the parties thereto are true, correct and complete in all material respects.

SECTION 6. INSURANCE; INDEMNIFICATION

6.1 **Coverage**. The Borrower shall cause to be carried and maintained commercial general liability insurance, on an occurrence form, against risks customarily insured against in the Borrower's line of business. Such risks shall include the risks of bodily injury, including death, property damage, personal injury, advertising

injury, and contractual liability per the terms of the indemnification agreement found in Section 6.3. The Borrower must maintain a minimum of $2,000,000 of commercial general liability insurance for each occurrence (which coverage may be provided in part by an umbrella policy so long as the primary commercial general liability insurance is in an amount per occurrence at least equal to the greater of $1,000,000 and any threshold amount before the umbrella coverage is applicable). The Borrower has and agrees to maintain a minimum of $2,000,000 of directors' and officers' insurance for each occurrence and $5,000,000 in the aggregate. So long as there are any Secured Obligations (other than inchoate indemnity obligations) outstanding, the Borrower shall also cause to be carried and maintained insurance upon the Collateral, insuring against all risks of physical loss or damage howsoever caused, in an amount not less than the full replacement cost of the Collateral; provided that such insurance may be subject to standard exceptions and deductibles.

6.2 **Certificates**. The Borrower shall deliver to the Agent certificates of insurance that evidence the Borrower's compliance with its insurance obligations in Section 6.1 and the obligations contained in this Section 6.2. The Borrower's insurance certificate shall identify the Agent is an additional insured for commercial general liability, a loss payee for all risk property damage insurance, subject to the insurer's approval, and a loss payee for property insurance and additional insured for liability insurance for any future insurance that the Borrower may acquire from such insurer. Attached to the certificates of insurance will be additional insured endorsements for liability and lender's loss payable endorsements for all risk property damage insurance. All certificates of insurance will provide for a minimum of 30 days advance written notice to the Agent of cancellation (other than cancellation for non-payment of premiums, for which 10 days' advance written notice shall be sufficient) or any other change adverse to the Agent's interests. Any failure of the Agent to scrutinize such insurance certificates for compliance is not a waiver of any of the Agent's rights, all of which are reserved. The Borrower shall provide the Agent with copies of each insurance policy, and upon entering or amending any insurance policy required hereunder, the Borrower shall provide the Agent with copies of such policies and shall promptly deliver to the Agent updated insurance certificates with respect to such policies.

6.3 **Indemnity**. The Borrower agrees to indemnify and hold the Agent, the Lenders and their officers, directors, employees, agents, in-house attorneys, representatives and equity holders (each, an "**Indemnified Person**") harmless from and against any and all claims, costs, expenses, damages and liabilities (including such claims, costs, expenses, damages and liabilities based on liability in tort, including strict liability in tort), including reasonable attorneys' fees and disbursements and other costs of investigation or defense (including those incurred upon any appeal) (collectively, "**Liabilities**"), that may be instituted or asserted against or incurred by such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents or the administration of such credit, or in connection with or arising out of the transactions contemplated hereunder and thereunder, or any actions or failures to act in connection therewith, or arising out of the disposition or utilization of the Collateral, excluding in all cases Liabilities to the extent resulting solely from any Indemnified Person's gross negligence or willful misconduct. The Borrower agrees to pay, and to save the Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other similar taxes (excluding any Excluded Taxes) that may be payable or determined to be payable with respect to any of the Collateral or this Agreement. In no event shall the Borrower or any Indemnified Person be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). This Section 6.3 shall survive the repayment of indebtedness under, and otherwise shall survive the expiration or other termination of, this Agreement.

SECTION 7. AFFIRMATIVE COVENANTS OF THE BORROWER

The Borrower agrees as follows:

7.1 **Financial Reports**. The Borrower shall furnish to the Agent the financial statements and reports listed hereinafter (the "**Financial Statements**"):

(a)as soon as practicable (and in any event within 45 days) after the end of each calendar quarter (including for such purpose the last fiscal quarter of the fiscal year), unaudited interim and year-to-date financial statements of DDH and its Subsidiaries as of the end of such calendar quarter (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows accompanied by a report detailing any material contingencies (including the commencement of any material litigation by or against the Borrower) or any other occurrence that could reasonably be expected to have a Material Adverse Effect, certified by DDH's Chief Executive Officer, President or Chief Financial Officer to the effect that they have been prepared in accordance with GAAP, except (i) for the absence of footnotes, and (ii) that they are subject to normal year-end adjustments; as well as the most recent capitalization table for DDH, including the weighted average exercise price of employee stock options;

(b)as soon as practicable (and in any event within 90 days) after the end of each fiscal year starting with the 2020 fiscal year, unqualified Audited Financial Statements of DDH and its Subsidiaries as of the end of such year (prepared on a consolidated basis), including balance sheet and related statements of income and cash flows, and setting forth in comparative form the corresponding figures for the preceding fiscal year, certified by a firm of independent certified public accountants selected by DDH and reasonably acceptable to the Agent, accompanied by any management report from such accountants;

(c) as soon as practicable (and in any event within 45 days) after the end of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2020, a Compliance Certificate in the form of Exhibit F;

(d) as soon as practicable (and in any event within 10 days) after the end of each calendar month, a Monthly Key Performance Indicators Report;

(e) no later than 90 days after the beginning of each fiscal year beginning with the 2021 fiscal year, a consolidated plan and financial forecast for DDH and its Subsidiaries for such fiscal year (prepared on a monthly or quarterly basis) including a forecasted consolidated balance sheet and forecasted consolidated statements of income and cash flows.

(f) promptly after the sending or filing thereof, as the case may be, copies of any proxy statements, financial statements or reports that DDH has made available to holders of its Equity Interests and copies of any regular, periodic and special reports or registration statements that the Borrower files with the Securities and Exchange Commission or any governmental authority that may be substituted therefor, or any national securities exchange;

(g)promptly following request therefor, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Subsidiary, or any audit of any of them as the Agent or any Lender (through the Agent) may from time to time reasonably request;

(h)within 30 days after each meeting of DDH's board of directors, copies of all notices, minutes, consents and other materials that DDH provides to its

directors in connection with such meetings, and minutes of such meeting; provided that in all cases DDH may exclude (i) information, minutes and other materials of or pertaining to any closed executive session of a board of directors meeting, (ii) any attorney-client privileged information and (iii) any information that the board of directors determines in good faith would give rise to a conflict of interest between DDH, on one hand, and the Agent or the Lenders, on the other hand;

(i)financial and business projections promptly following their approval by DDH's Board of Directors, and in any event, within 30 days after the end of DDH's fiscal year, together with a summary of material assumptions used to prepare such forecasts, as well as budgets, operating plans and other financial information reasonably requested by the Agent; and

(j)immediate notice if the Borrower or any Subsidiary has knowledge that the Borrower, or any Subsidiary or Affiliate of the Borrower, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering.

The Borrower shall not (without the consent of the Agent, such consent not to be unreasonably withheld or delayed), make any change in its (a) accounting policies or reporting practices, except in accordance with GAAP or (b) fiscal years or fiscal quarters. The fiscal year of the Borrower shall end on December 31.

The executed Compliance Certificate may be sent via email to the Agent at trading@Silverpeak.com All Financial Statements required to be delivered pursuant to clauses (a), (b) and (c) shall be sent via e-mail to trading@Silverpeak.com with a copy to SPCP_Operatons@Silverpeak.com; provided, that if e-mail is not available or sending such Financial Statements via e-mail is not possible, they shall be faxed to the Agent at: 646-205-6166, attention Operations.

7.2 **Financial Covenants**.

(a) Minimum Liquidity. The Borrower shall maintain a minimum amount of Liquidity as of the last day of each fiscal quarter identified below at least equal to the target amount of Liquidity (the "**Minimum Liquidity Target**") for such day set forth in the following table:

12/31/2020	$1,000,000
6/30/2021	$1,100,000
12/31/2021	$1,250,000
6/30/2022	$1,350,000
12/31/2022	$1,500,000
Each June 30 and December 31 thereafter	$1,500,000

(b) Total Leverage Ratio. The Borrower shall maintain a Total Leverage Ratio as of the last day of each fiscal quarter identified below not to exceed the applicable ratio (the "**Maximum Total Leverage Ratio Target**") for such day set forth in the following table:

12/31/2020	3.00:1.00
6/30/2021	2.75:1:00
12/31/2021	2.50:1:00
6/30/2022	2.25:1:00
12/31/2022	2.00:1.00
Each June 30 and December 31 thereafter	2.00:1.00

(c) Consolidated Cash Interest Coverage Ratio. The Borrower shall maintain a Consolidated Cash Interest Coverage Ratio as of the last day of each fiscal quarter at least equal to the applicable ratio set forth below (the "**Minimum Consolidated Cash Interest Coverage Ratio Target**") for such day set forth in the following table:

12/31/2020	1.25:1.00
6/30/2021	1.25:1:00
12/31/2021	1.50:1:00
6/30/2022	1.75:1:00
12/31/2022	2.00:1.00
Each June 30 and December 31 thereafter	2.00:1.00

(d) Method of Determination. Compliance with each of the foregoing Financial Covenants shall be determined on the basis of Financial Statements for the applicable quarter delivered pursuant to Section 7.1(a), as adjusted retroactively in the case of Financial Statements as of the end of each fiscal year based on Audited Financial Statements subsequently delivered.

7.3 **Notices**. The Borrower will promptly notify the Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b)the filing or commencement of any action, suit, investigation or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof, including pursuant to any applicable Environmental Laws, that could reasonably be expected to be adversely determined, and, if so determined, could reasonably be expected to have a Material Adverse Effect;

(c)the occurrence of any ERISA Event that, either individually or together with any other ERISA Events, could reasonably be expected to have a Material Adverse Effect;

(d)notice of any action arising under any Environmental Law or of any noncompliance by the Borrower or any Subsidiary with any Environmental Law or any permit, approval, license or other authorization required thereunder that, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(e) any material change in accounting or financial reporting practices by the Borrower or any Subsidiary;

(f) any material change in the conduct of business pursuant to any Material Contract; and

(g) any other matter or development that has had or could reasonably be expected to have a Material Adverse Effect.

7.4 **Preservation of Existence, Etc.** Each Borrower Entity will, and will cause each of its material Subsidiaries to, (a) preserve, renew and maintain in full force and effect its legal existence and good standing under the laws of the jurisdiction of its organization; (b) take all reasonable action to maintain all rights, licenses, permits, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

7.5 **Maintenance of Properties**. Each Borrower Entity will, and will cause each of its Subsidiaries to, (a) maintain, preserve and protect all of its properties and equipment necessary in the operation of its business in good working order and condition (ordinary wear and tear excepted) and (b) make all necessary repairs thereto and renewals and replacements thereof, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.6 **Payment of Obligations**. Each Borrower Entity will, and will cause each of its Subsidiaries to, pay, discharge or otherwise satisfy as the same shall become due and payable, all of its obligations and liabilities, including Tax liabilities, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by such Borrower Entity or such Subsidiary, except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.7 **Management Rights; Inspections**. The Borrower shall permit, and shall cause each Subsidiary to permit, any representative that the Agent or any Lender authorizes, including its attorneys and accountants, during normal business hours and upon not less than three Business Days' notice, to inspect the Collateral and examine and make copies and abstracts of the books of account and records of the Borrower and its Subsidiaries, and to discuss its affairs, finances and accounts with directors, officers, and independent public accountants, all at reasonable times and upon reasonable notice during normal business hours; provided, however, that so long as no Event of Default has occurred and is continuing, such examinations shall be limited to no more often than twice per fiscal year. In addition, any such representative shall have the right to meet with management and officers of the Borrower to discuss such books of account and records.

7.8 **Board Observer**. DDH shall allow one representative designated by the Agent (the "**Board Observer**") to attend and observe, in a non-voting capacity, with speaking rights, all meetings of its board of directors (or the equivalent) (the "**Board**"). The Board shall hold meetings in accordance with DDH's organizational documents and applicable law. The Board Observer shall receive, at the same time, and in the same form, as they are furnished to the Board, (a) notice of (i) all regular or special meetings of the Board and (ii) the adoption of any material resolutions by the Board or committee by written consent, (b) all notices, documents and information furnished to the members of the Board and (c) copies of the minutes of all such meetings; provided that in all cases DDH may exclude, and the Board Observer shall be excluded from proceedings relating to, (i) any closed executive session of a board of directors meeting, (ii) any attorney-client privileged information and (iii) any information that the Board determines in good faith would give rise to a conflict of interest between DDH, on one hand, and the Agent or the Lenders, on the other hand.

7.9 **Further Assurances**. The Borrower shall from time to time identify new Intellectual Property owned or leased by the Borrower and its Qualified Subsidiaries by notice to the Agent amending Exhibit C, any equity interests in Subsidiaries hereafter acquired, and any other material new assets acquired by the Borrower, and shall prepare, execute, deliver and file, upon the reasonable request of the Agent, any financing statements, security agreements, collateral assignments, notices, control agreements, filings with the U.S. Patent and Trademark Office or U.S. Copyright Office, stock certificates and accompanying stock powers or other documents to perfect or give the highest priority to the Agent's Lien on the Collateral. The Borrower shall from time to time procure any instruments or documents as may be reasonably requested by the Agent, and take all further action that may be necessary, or that the Agent may reasonably request, to perfect and protect the Liens granted hereby and thereby. In addition, and for such purposes only, the Borrower hereby authorizes the Agent to execute and deliver on behalf of the Borrower and to file such financing statements (including an indication that the financing statement covers "all assets or all personal property" of the Borrower in accordance with Section 9-504 of the UCC), collateral assignments, notices, control agreements, security agreements and other documents without the signature of the Borrower either in the Agent's name or in the name of the Agent as agent and attorney-in-fact for the Borrower. The Borrower shall protect and defend the Borrower's title to the Collateral and the Agent's Lien thereon against all Persons claiming any interest adverse to the Borrower or the Agent other than Permitted Liens.

7.10 **Collateral**. The Borrower shall at all times keep the Collateral, the Intellectual Property and all other property and assets used in the Borrower's business or in which the Borrower now or hereafter holds any interest free and clear from any legal process or Liens whatsoever (except for Permitted Liens), and shall give the Agent prompt written notice of any legal process affecting the Collateral, the Intellectual Property, such other property and assets, or any Liens thereon, provided however, that the Collateral and such other property and assets may be subject to Permitted Liens except that there shall be no Liens whatsoever on Intellectual Property (other than Liens arising under the East West Loan Documents). The Borrower shall not agree with any Person other than the Agent or the Lenders to encumber its property, except for Permitted Liens. The Borrower shall not enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Borrower Entity to create, incur, assume or suffer to exist any Lien upon any of its Intellectual Property, whether now owned or hereafter acquired, to secure the Borrower's obligations under the Loan Documents to which it is a party other than (a) this Agreement and the other Loan Documents, (b) any agreements governing any purchase money Liens or capital lease obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (c) the East West Loan Documents, and (d) customary restrictions on the assignment of leases, licenses and other agreements. The Borrower shall, and shall cause its Subsidiaries to, protect and defend its title to its assets from and against all Persons claiming any interest adverse to the Borrower or such Subsidiary, and the Borrower shall cause its Subsidiaries at all times to keep such Subsidiary's property and assets free and clear from any legal process or Liens whatsoever (except for Permitted Liens; provided, however, that there shall be no Liens whatsoever on Intellectual Property other than pursuant to the East West Loan Documents), and shall give the Agent prompt written notice of any legal process affecting such Subsidiary's assets. The Borrower shall use commercially reasonable efforts to deliver to the Agent fully-executed landlord consents and waivers from each landlord of the Borrower within 60 days following the date of this Agreement, such consents and waivers to be in form and substance reasonably acceptable to the Agent.

7.11 **Taxes**. Except where the failure would not reasonably be expected to have a Material Adverse Effect, the Borrower and its Subsidiaries shall pay when due all U.S. federal and other material Taxes, fees or other charges of any nature whatsoever (together with any related interest or penalties) now or hereafter imposed or assessed against the Borrower, the Agent, the Lenders or the Collateral or upon the Borrower's ownership, possession, use, operation or disposition thereof or upon the Borrower's rents, receipts or earnings arising therefrom. The Borrower shall file, on or before the due date therefor, all personal property tax returns in respect of the Collateral. Notwithstanding the foregoing, the Borrower may contest, in good faith and by appropriate proceedings, taxes for which the Borrower maintains adequate reserves therefor in accordance with GAAP.

7.12 **Deposit Accounts**. Neither the Borrower nor any Qualified Subsidiary shall maintain any Deposit Accounts, or accounts holding Investment Property, except with respect to which the Agent has notice, setting forth the information included for Accounts in Exhibit D. Each Deposit Account maintained by the

Borrower or any Qualified Subsidiary shall be subject to an Account Control Agreement satisfactory in form and substance satisfactory to the Agent, provided that no Account Control Agreement shall be required during the first 30 days after the Closing Date with respect to Deposit Accounts identified on Exhibit D hereto with Silicon Valley Bank, Investar Bank or JPMorgan Chase (the "**Transition Deposit Accounts"**). Within 30 days after the Closing Date, the Borrower or Qualified Subsidiary maintaining any Transition Deposit Account shall either (i) transfer all funds in such Transition Deposit Account to another Deposit Account then subject to an Account Control Agreement satisfactory in form and substance to the Agent and close such Transition Deposit Account or (ii) enter into an Account Control Agreement satisfactory in form and substance to the Agent with respect to such Transition Deposit Account.

7.13 **Subsidiaries**. The Borrower shall notify the Agent of each Subsidiary of DDH formed or acquired subsequent to the Closing Date and, within 15 days of formation or acquisition (or such later date on which such Subsidiary becomes a Qualified Subsidiary), shall cause any such Subsidiary that is a Qualified Subsidiary (other than a CFC or other entity, substantially all of the assets of which consist of equity or debt interests in one or more CFCs) to execute and deliver to the Agent a Joinder Agreement.

7.14 **Use of Proceeds**. The Borrower agrees that the proceeds of the Loans shall be used solely (a) to pay the cash portion of the purchase price payable in connection with the Orange 142 Acquisition, (b) to pay related fees and expenses in connection with this Agreement and the Orange 142 Acquisition and (c) for working capital and general corporate purposes. The proceeds of the Loans will not be used in violation of Anti-Corruption Laws or applicable Sanctions.

7.15 **Compliance with Laws**.

(a)The Borrower shall maintain, and shall cause its Subsidiaries to maintain, compliance in all material respects with all applicable laws, rules or regulations (including any law, rule or regulation with respect to the making or brokering of loans or financial accommodations), and shall, or cause its Subsidiaries to, obtain and maintain all required governmental authorizations, approvals, licenses, franchises, permits or registrations reasonably necessary in connection with the conduct of the Borrower's business, except where the failure to maintain any foreign qualification in a state of the United States could not reasonably be expected to have a Material Adverse Effect.

(b)Neither the Borrower nor any of its Subsidiaries shall, nor shall the Borrower or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Neither the Borrower nor any of its Subsidiaries shall, nor shall the Borrower or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

(c)The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of the Borrower its directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects.

(d)None of the Borrower, any of its Subsidiaries or any of their respective directors, officers or employees, or to the knowledge of the Borrower, any agent for the Borrower or its Subsidiaries that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. None of the Loan, use of proceeds or other transaction contemplated by this Agreement will violate Anti-Corruption Laws or applicable Sanctions.

7.16 **Environmental Matters**. Except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect, the Borrower will, and will cause each of its Subsidiaries to, (a) comply with all Environmental Laws, (b) obtain, maintain in full force and effect and comply with any permits, licenses or approvals required for the facilities or operations of the Borrower or any of its Subsidiaries, and (c) conduct and complete any investigation, study, sampling or testing, and undertake any corrective, cleanup, removal, response, remedial or other action necessary to identify, report, remove and clean up all Hazardous Materials present or released at, on, in, under or from any of the facilities or real properties of the Borrower or any of its Subsidiaries.

7.17 **Intellectual Property**. The Borrower shall (a) protect, defend and maintain the validity and enforceability of its Intellectual Property; (b) promptly advise the Agent in writing of material infringements of its Intellectual Property; and (c) not allow any Intellectual Property material to the Borrowers' business to be abandoned, forfeited or dedicated to the public without the Agent's written consent. If a Borrower Entity (a) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (b) applies for any Patent or the registration of any Trademark, then the Borrower shall immediately provide written notice thereof to the Agent and shall execute such intellectual property security agreements and other documents and take such other actions as the Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of the Agent in such property. If the Borrower decides to register any Copyrights or mask works in the United States Copyright Office, the Borrower shall: (x) provide the Agent with at least 15 days prior written notice of the Borrower's intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as the Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of the Agent in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. The Borrower shall promptly provide to the Agent copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for the Agent to perfect and maintain a first priority perfected security interest in such property. The Borrower shall be the sole owner or licensee of any such further Intellectual Property that may be relevant to the Borrower's business.

7.18 **Books and Records**. The Borrower will, and will cause each of its Subsidiaries to, maintain proper books of record and account, in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Borrower or such Subsidiary, as the case may be

7.19 **Transactions with Affiliates or Other Related Persons**. The Borrower shall not and shall not permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction of any kind with any Affiliate of the Borrower or such Subsidiary or any Other Related Person with respect thereto on terms that are less favorable to the Borrower or such Subsidiary, as the case may be, than those that might be obtained in an arm's length transaction from a Person who is not an Affiliate of the Borrower or such Subsidiary or an Other Related Person with respect thereto.

7.20 **Material Contracts**. All Material Contracts of the Borrower are identified on Exhibit E. Except as identified in Exhibit H, no material contracts of the Borrower prohibit the pledge or assignment thereof by the Borrower.

SECTION 8. NEGATIVE COVENANTS OF THE BORROWER

The Borrower agrees as follows:

8.1 **Restricted Payments**. The Borrower shall not, and shall not allow any Subsidiary to, (a) repurchase or redeem any class of stock or other Equity Interest other than (i) pursuant to employee, director or consultant repurchase plans or other similar agreements; provided, however, in each case (other than any such repurchase or redemption in the ordinary course of business in connection with an employee incentive plan) the repurchase or redemption price does not exceed the original consideration paid for such stock or Equity Interest, (ii) the conversion of any of its convertible securities into other securities of the Borrower pursuant to the terms of such convertible securities or (iii) the payment of cash in lieu of fractional shares upon the conversion of any such convertible securities, not to exceed $500,000 in the aggregate; (b) declare or pay any cash dividend or make a cash distribution on any class of stock or other Equity Interest, except that a Subsidiary may pay dividends or make distributions to the Borrower and the Borrower may make Tax Distributions to its direct and indirect equityholders; (c) lend money to any employees, officers or directors or guarantee the payment of any such loans granted by a third party in excess of $250,000 in the aggregate at any one time outstanding; (d) waive, release or forgive any Indebtedness owed by any employees, officers or directors in excess of $250,000 in the aggregate, or (e) make any payments on Subordinated Debt (collectively, "**Restricted Payments**") unless:

(a) There shall not than be an Event of Default or Default that has occurred and is continuing, and

(b)Both before and after giving effect to such Restricted Payment, (i) each of the Financial Covenants shall be satisfied and (ii) the Borrower's Total Debt shall be less than 2.5 times its EBITDA over the preceding 12 month period reported in its most recent quarterly or annual Financial Statements.

8.2 **Additional Indebtedness**. The Borrower shall not create, incur, assume, guarantee or be or remain liable with respect to any Indebtedness (other than Permitted Indebtedness), or permit any Subsidiary so to do, unless

(a) There is not then an Event of Default or Default that has occurred and is continuing;

(b) Such Indebtedness constitutes Subordinated Indebtedness and matures after the Scheduled Maturity Date; and

(c)After giving effect to such additional Indebtedness, the Borrower's Total Debt is less than 2.5 times its EBITDA over the preceding 12 month period as reported in its most recent quarterly or annual Financial Statements.

8.3 **Liens**. The Borrower will not, nor will it permit any Subsidiary to, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than Permitted Liens.

8.4 **Dispositions**. The Borrower will not, and will not permit any Subsidiary to, make any Disposition or enter into any agreement to make any Disposition without the prior approval of the Agent (other than transfers or other Dispositions of Inventory in the ordinary course of business), except Dispositions which constitute:

(a)Dispositions of worn-out, obsolete or surplus Equipment, whether now owned or hereafter acquired, at fair market value (to the extent determinable in a ready market therefor) in the ordinary course of business;

(b)Dispositions of Equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition (net of reasonable and documented expenses incurred in connection with such Disposition) are reasonably promptly applied to the purchase price of such replacement property;

(c) Dispositions of property by any Subsidiary to the Borrower or to a Wholly-Owned Subsidiary of the Borrower;

(d) Dispositions permitted by Section 8.5;

(e)Licenses, subleases or sublicenses or similar arrangements (including the provision of open source software under an open source license) for use of Intellectual Property granted in the ordinary course of business and on ordinary commercial terms that do not interfere in any material respect with the business of the Borrower and its Subsidiaries;

(f) Dispositions of Intellectual Property rights that are no longer used or useful in the business of the Borrower and its Subsidiaries;

(g)The discount, write-off or Disposition of accounts receivable overdue by more than 90 days or the sale of any such accounts receivable for the purpose of collection to any collection agency, in each case in the ordinary course of business;

(h) Restricted Payments permitted by Section 8.1; or

(i) Dispositions by the Borrower and its Subsidiaries not otherwise permitted under this Section;

provided that the aggregate book value of all such property Disposed of in any fiscal year (other than pursuant to clauses (c), (d), (e) and (h)) shall not exceed $250,000.

8.5 **Fundamental Changes**. No Borrower Entity will, nor will it permit any Subsidiary to, merge, dissolve, liquidate, consolidate with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

(a)any Subsidiary may merge with (i) any Borrower Entity, provided that the Borrower Entity shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries that are Qualified Subsidiaries, provided that when any Wholly-Owned Subsidiary is merging with another Subsidiary, a Wholly-Owned Subsidiary shall be the continuing or surviving Person;

(b)any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to a Borrower Entity or to another Subsidiary that is a Qualified Subsidiary; provided that if the transferor in such a transaction is a Wholly-Owned Subsidiary, then the transferee shall either be the Borrower or another Wholly-Owned Subsidiary;

(c) each Borrower Entity and its Subsidiaries may make Dispositions permitted by Section 8.4;

(d) any Permitted Investment may be structured as a merger, consolidation or amalgamation; and

(e)any Subsidiary may dissolve, liquidate or wind up its affairs or merge into another Subsidiary if it owns no material assets, engages in no business and otherwise has no activities other than activities related to the maintenance of its existence and good standing.

8.6 **Material Contracts**. The Borrower will not amend, modify or waive any provision of any of the Material Contracts (other than amendments that could not reasonably be expected to result in a Material Adverse Effect or otherwise adversely affect the Agent or any of the Lenders), or assign or otherwise transfer any rights or obligations thereunder, without the consent of the Agent, and shall duly enforce the provisions thereof in accordance with their respective terms.

8.7 **Investments**. The Borrower shall not directly or indirectly acquire or own, or make any Investment in or to any Person, or permit any of its Subsidiaries so to do, other than Permitted Investments.

8.8 **ERISA**. The Borrower, the Guarantor and their ERISA Affiliates shall not have any liability under or with respect to Title IV of ERISA.

8.9 **Certain Restrictive Agreements**. The Borrower will not, and will not permit any Subsidiary to, enter into any Contractual Obligation (other than (A) this Agreement or any other Loan Document and (B) the East West Loan Documents) that, directly or indirectly, (a) limits the ability of (i) any Subsidiary to pay dividends to the Borrower or to otherwise transfer property to the Borrower, (ii) any Subsidiary to guarantee Indebtedness of the Borrower or (iii) the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person to secure the Secured Obligations; or (b) requires the grant of a Lien to secure an obligation of such Person if a Lien is granted to secure another obligation of such Person.

8.10 **Corporate Changes**. No Borrower Entity, nor any Subsidiary thereof, shall change its corporate name, legal form or jurisdiction of formation without 20 days' prior written notice to the Agent. No Borrower Entity, nor any Subsidiary thereof, shall suffer a Change in Control. No Borrower Entity, nor any Subsidiary thereof, shall relocate its chief executive office or its principal place of business unless: (i) it has provided prior written notice to the Agent; and (ii) such relocation shall be within the continental United States of America. No Borrower Entity nor any Qualified Subsidiary shall relocate any item of Collateral (other than (x) sales of Inventory in the ordinary course of business, (y) relocations of Equipment having an aggregate value of up to $500,000 in any fiscal year, and (z) relocations of Collateral from a location described on Exhibit B to another location described on Exhibit B) unless (i) it has provided prompt written notice to the Agent, (ii) if immediately prior to relocation the Collateral is in the United States, such relocation is within the continental United States of America and, (iii) if such relocation is to a third party bailee, and such Collateral has a value, individually or in the aggregate, in excess of $250,000, it has delivered a bailee agreement in form and substance reasonably acceptable to the Agent.

8.11 **Changes in Nature of the Business**. The Borrower will not, and will not permit any Subsidiary to, engage to any material extent in any business other than those businesses conducted by the Borrower and its Subsidiaries on the date hereof or any business reasonably related or incidental thereto or representing a reasonable expansion thereof.

8.12 **East West Credit Agreement**. The Borrower will not amend the East West Credit Agreement in any material respect (including, in particular and without limitation, the advance rate thereunder, the interest rate payable thereunder, the total facility amount or the committed portion thereof) without the consent of the Agent, nor will it borrow in excess of $1,000,000 thereunder without the consent of the Agent.

8.13 **Orange 142 Acquisition Agreement**. The Borrower will not amend the Orange 142 Acquisition Agreement in any manner that would result in a Material Adverse Effect or otherwise adversely affect the Agent or the Lenders without the consent of the Agent.

SECTION 9. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall be an "**Event of Default**":

9.1 **Payments**. The Borrower fails to pay any amount due under this Agreement or any of the other Loan Documents on the due date;provided, however, that an Event of Default shall not occur on account of a failure to pay due solely to an administrative or operational error of the Agent or the Lenders or the Borrower's bank if the Borrower had the funds to make the payment when due and makes the payment within ten Business Days following the Borrower's knowledge of such failure to pay; or

9.2 **Covenants**. The Borrower breaches or defaults in the performance of any covenant or Secured Obligation under this Agreement, or any of the other Loan Documents or any other agreement among the Borrower, the Agent and the Lenders, and (a) with respect to a default under any covenant under this Agreement (other than under Section 6, Section 7.4, Section 7.10, Section 8 or Section 11), any other Loan Document or any other agreement among the Borrower, the Agent and the Lenders, such default continues for more than 30 days (or, in the case of a breach of a Financial Covenants under Section 7.2, within 30 Business Days) after the earlier of the date on which (i) the Agent or the Lenders has given notice of such default to the Borrower, and (ii) the Borrower has actual knowledge of such default, or (b) with respect to a default under any of Section 6, Section 7.4, Section 7.10, Section 8 or Section 11, the occurrence of such default;

9.3 **Representations**. Any representation or warranty made by the Borrower or any Guarantor in any Loan Document shall have been false or misleading in any material respect when made or when deemed made; or

9.4 **Insolvency**. The Borrower (A) (i) shall make an assignment for the benefit of creditors; or (ii) shall be unable to pay its debts as they become due or shall become insolvent; or (iii) shall file a voluntary petition in bankruptcy; or (iv) shall file any petition, answer, or document seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation pertinent to such circumstances; or (v) shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of the Borrower or of all or any substantial part (i.e., 33-1/3% or more) of the assets or property of the Borrower; or (vi) shall cease operations of its business as its business has normally been conducted, or terminate substantially all of its employees; or

(vii) the Borrower or its directors or majority shareholders shall take any action initiating any of the foregoing actions described in clauses (i) through (vi); or (B) either (i) 60 days shall have expired after the commencement of an involuntary action against the Borrower seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, without such action being dismissed or all orders or proceedings thereunder affecting the operations or the business of the Borrower being stayed; or (ii) a stay of any such order or proceedings shall thereafter be set aside and the action setting it aside shall not be timely appealed; or (iii) the Borrower shall file any answer admitting or not contesting the material allegations of a petition filed against the Borrower in any such proceedings; or (iv) the court in which such proceedings are pending shall enter a decree or order granting the relief sought in any such proceedings; or (v) 60 days shall have expired after the appointment, without the consent or acquiescence of the Borrower, of any trustee, receiver or liquidator of the Borrower or of all or any substantial part of the properties of the Borrower without such appointment being vacated; or

9.5 **Attachments; Judgments**. Any portion of the Borrower's assets is attached or seized, or a levy is filed against any such assets, or a judgment or judgments is/are entered for the payment of money (not covered by independent third party insurance as to which liability has not been rejected by such insurance carrier), individually or in the aggregate, of at least $250,000, and such judgment remains unsatisfied, unvacated or unstayed for a period of 30 days after the entry thereof, or the Borrower is enjoined or in any way prevented by court order from conducting any part of its business; or

9.6 **Material Contracts**. The Borrower shall default in any material respect under the terms of any Material Contract; or

9.7 **Other Obligations**. (i) The Borrower or any Subsidiary shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness (other than Indebtedness under the Loan Documents) having an aggregate principal amount of more than $250,000, in each case beyond the applicable grace period with respect thereto, if any; or (ii) the Borrower or any Subsidiary shall fail to observe or perform any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity; provided that (x) this Section 9.7 shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness, if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness and such Indebtedness is repaid when required under the documents providing for such documents and (y) the events described in clauses (i) and (ii) above shall not give rise to any Default or Event of Default if the nonpayment or nonperformance, as applicable, is the result of a dispute being contested in good faith by appropriate proceedings; or

9.8 **Impermissible Assignment**. The Borrower shall assign, or purport to assign, all or any portion of its rights and obligations under any Loan Document except as contemplated by this Agreement; or

9.9 **Repudiation**. The Borrower shall repudiate any Loan Document or assert that any Loan Document is not binding upon it; or

9.10 **Change in Control**. A Change in Control shall occur without the prior consent of the Agent; or

9.11 **Key Employees**. Any Key Employee shall cease to be actively employed by the Borrower or shall cease to have primary responsibility for managing the operations of the Borrower and shall not have been replaced by a successor satisfactory to the Agent within 30 days; or

9.12 **Investment Company**. Any Borrower Entity shall become an "investment company" or a company "controlled by" an "investment company" within the meaning of the Investment Company Act of 1940, as amended; or

9.13 **Perfected Security Interest**. The Agent shall cease to have a first priority perfected security interest (subject only to Permitted Liens) in all or any portion of the Collateral; or

9.14 **Statutory Liens**. The imposition of any (i) federal or state tax liens (including without limitation by the Internal Revenue Service or the Pension Benefit Guaranty Corporation) against the Borrower, or (ii) ERISA liens against the Borrower, and any such condition under clause (i) or (ii) is not cured within fifteen (15) Business Days; or

9.15 **Change in Conduct of Business**. The Borrower shall cease conducting its business as conducted on the Closing Date in any material respect.

SECTION 10. REMEDIES

10.1 **General**. Upon and during the continuance of any one or more Events of Default, (i) the Agent may, and at the direction of the Required the Lenders shall, accelerate and demand payment of all or any part of the Secured Obligations together with a Prepayment Charge and declare them to be immediately due and payable (provided, that upon the occurrence of an Event of Default of the type described in Section 9.4, all of the Secured Obligations shall automatically be accelerated and made due and payable, in each case without any further notice or act), (ii) the Agent may, at its option, sign and file in any Borrower Entity's name any and all collateral assignments, notices, control agreements, security agreements and other documents it deems necessary or appropriate to perfect or protect the repayment of the Secured Obligations, and in furtherance thereof, the Borrower hereby grants the Agent an irrevocable power of attorney coupled with an interest, and (iii) the Agent may notify any of the Borrower's account debtors to make payment directly to the Agent, compromise the amount of any such account on the Borrower's behalf and endorse the Agent's name without recourse on any such payment for deposit directly to the Agent's account. The Agent may, and at the direction of the Required Lenders shall, exercise all rights and remedies with respect to the Collateral under the Loan Documents or otherwise available to it under the UCC and other applicable law, including the right to release, hold, sell, lease, liquidate, collect, realize upon, or otherwise dispose of all or any part of the Collateral and the right to occupy, utilize, process and commingle the Collateral. All the Agent's rights and remedies shall be cumulative and not exclusive.

10.2 **Equity Cure**. Subject to the last sentence of this Section 10.2, the Borrower may cure (and shall be deemed to have cured) an Event of Default arising out of a breach of any of the financial covenants set forth in clauses (a), (b) or (c) of Section 7.2 (the "Specified Financial Covenants") if (i) the Borrower receives, within 15 Business Days after the date on which the Specified Financial Covenants are first required to be tested pursuant to the terms hereof, cash proceeds in an amount which, if treated as income for the preceding fiscal quarter, would result in compliance with such Specified Financial Covenants, and (ii) the Agent receives written notice from the Borrower that such payment has been made and that it is to be deemed an Equity Cure hereunder. Upon any Equity Cure of a Specified Financial Covenant, any Event of Default that occurred and is continuing from a breach of such Specified Financial Covenant shall be deemed cured with no further action required by the Agent or the Lender. An Equity Cure may not be used to cure an Event of Default more than twice in any calendar year (or be in an aggregate amount of such cash proceeds in any calendar year of more than $2,000,000), or more than four times during the term of this Agreement (including any extension thereof).

10.3 **Collection; Foreclosure**. Upon the occurrence and during the continuance of any Event of Default, the Agent may, and at the direction of the Required Lenders shall, at any time or from time to time, apply, collect, liquidate, sell in one or more sales, lease or otherwise dispose of, any or all of the Collateral, in its then condition or following any commercially reasonable preparation or processing, in such order as the Agent may elect. Any such sale may be made either at public or private sale at its place of business or elsewhere. The Borrower agrees that any such public or private sale may occur upon 10 calendar days' prior written notice to the Borrower. The Agent may require the Borrower to assemble the Collateral and make it available to the Agent at a place designated by the Agent that is reasonably convenient to the Agent and the Borrower. The proceeds of any sale, disposition or other realization upon all or any part of the Collateral shall be applied by the Agent in the following order of priorities:

First, to the Agent and the Lenders in an amount sufficient to pay in full the Agent's and the Lenders' reasonable costs and professionals' and advisors' fees and expenses as described in Section 11.11;

Second, to the Lenders in an amount equal to the then unpaid amount of the Secured Obligations (including principal and interest at the Default Interest Rate), in such order and priority as the Agent may choose in its sole discretion; and

Finally, after the full and final payment in Cash of all of the Secured Obligations (other than inchoate obligations), to any creditor holding a junior Lien on the Collateral, or to the Borrower or its representatives or as a court of competent jurisdiction may direct.

The Agent shall be deemed to have acted reasonably in the custody, preservation and disposition of any of the Collateral if it complies with the obligations of a secured party under the UCC.

10.4 **No Waiver**. The Agent shall be under no obligation to marshal any of the Collateral for the benefit of the Borrower or any other Person, and the Borrower expressly waives all rights, if any, to require the Agent to marshal any Collateral.

10.5 **Cumulative Remedie**s. The rights, powers and remedies of the Agent hereunder shall be in addition to all rights, powers and remedies given by statute or rule of law and are cumulative. The exercise of any one or more of the rights, powers and remedies provided herein shall not be construed as a waiver of or election of remedies with respect to any other rights, powers and remedies of the Agent.

SECTION 11. MISCELLANEOUS

11.1 **Severability**. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective only to the extent and duration of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.2 **Notice**. Except as otherwise provided herein, any notice, demand, request, consent, approval, declaration, service of process or other communication (including the delivery of Financial Statements) that is required, contemplated, or permitted under the Loan Documents or with respect to the subject matter hereof shall be in writing, and shall be deemed to have been validly served, given, delivered, and received upon the earlier of: (i) the day of transmission by electronic mail or hand delivery or delivery by an overnight express service or overnight mail delivery service; or (ii) the third calendar day after deposit in the United States of America mails, with proper first class postage prepaid, in each case addressed to the party to be notified as follows:

(a) If to the Agent:

SILVERPEAK CREDIT PARTNERS, LP
40 West 57th Street - 29th Floor
New York, NY 10019
email: trading@Silverpeak.com
Telephone: 212-716-2000

(b) If to the Lenders:

SILVERPEAK CREDIT LENDER LLC
c/o SILVERPEAK CREDIT PARTNERS, LP
40 West 57th Street - 29th Floor
New York, NY 10019
email: trading@Silverpeak.com
Telephone: 212-716-2000

(c) If to any Borrower Entity:

DIRECT DIGITAL HOLDINGS, LLC.
1233 West Loop South, Suite 1170
Houston, TX 77027
Attention: Keith Smith and Mark Walker
email: ksmith@directdigitalholdings.com
mwalker@directdigitalholdings.com
Telephone: 713-540-4545

or to such other address as each party may designate for itself by like notice.

11.3 **Entire Agreement; Amendments**.

(a)This Agreement and the other Loan Documents constitute the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof, and supersede and replace in their entirety any prior proposals, term sheets, non-disclosure or confidentiality agreements, letters, negotiations or other documents or agreements, whether written or oral, with respect to the subject matter hereof or thereof (including the Agent's letter of interest dated May 8, 2018 and related Term Sheet dated the same date).

(b)Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 11.3(b). The Required Lenders and the Borrower party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Agent and the Borrower party to the relevant Loan Document may, from time to time, (i) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (ii) waive, on such terms and conditions as the Required the Lenders or the Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (A) forgive the principal amount or extend the Scheduled Maturity Date of the Loan, extend the scheduled date of any amortization payment in respect of the Loan, or reduce the stated rate of any interest or fee payable hereunder), in each case without the written consent of each Lender directly affected thereby; (B) eliminate or reduce the voting rights of any Lender under this Section 11.3(b) without the written consent of such Lender; (C) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release a the Borrower from its obligations under the Loan Documents, in each case without the written consent of all Lenders; (D) amend Section 2.6 without the consent of each Lender; or (E) amend, modify or waive any provision of Section 11.17 without the written consent of the Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each Lender and shall be binding upon the Borrower, the Lenders, the Agent and all future holders of the Loans.

11.4 **No Strict Construction**. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.5 **No Waiver**. The powers conferred upon the Agent and the Lenders by this Agreement are solely to protect its rights hereunder and under the other Loan Documents and its interest in the Collateral and shall not impose any duty upon the Agent or the Lenders to exercise any such powers. No omission or delay by the Agent or the Lenders at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof by the Borrower at any time designated, shall be a waiver of any such right or remedy to which the Agent or the Lenders is entitled, nor shall it in any way affect the right of the Agent or the Lenders to enforce such provisions thereafter.

11.6 **Survival**. All agreements, representations and warranties contained in this Agreement and the other Loan Documents or in any document delivered pursuant hereto or thereto shall be for the benefit of the Agent and the Lenders and shall survive the execution and delivery of this Agreement. Sections 6.3 and 11.14 shall survive the termination of this Agreement.

11.7 **Successors and Assigns**. The provisions of this Agreement and the other Loan Documents shall inure to the benefit of and be binding on the Borrower and its permitted assigns (if any). The Borrower shall not assign its obligations under this Agreement or any of the other Loan Documents without the Agent's express prior written consent, and any such attempted assignment shall be void and of no effect. Each Lender may (i) assign or otherwise transfer its rights hereunder and under the other Loan Documents without prior notice to the Borrower, and all of such rights shall inure to the benefit of such Lender's successors and assigns, or (ii) grant a participation in all or a portion of its Advance to another Person. The Agent may, with notice to DDH, assign or otherwise transfer its rights and obligations hereunder and under the other Loan Documents, and all of such rights and obligations shall inure to the benefit of the Agent's successors and assigns.

11.8 **Governing Law**. This Agreement and the other Loan Documents have been negotiated and delivered to the Agent and the Lenders in the State of New York, and shall have been accepted by the Agent and the Lenders in the State of New York. Payment to the Agent and the Lenders by the Borrower of the Secured Obligations is due in the State of New York. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN AS EXPRESSLY SET FORTH IN THE LOAN DOCUMENTS) SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, EXCLYUDING CONFLICTS OF LAWS PRINCIPLES THAT WOULD CAUSE APPLICATION OF LAWS OF ANY OTHER JURISDICTION.

11.9 **Consent to Jurisdiction and Venue**.

(a)the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against the Borrower or its properties in the courts of any jurisdiction.

(b)The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c)Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 11.2. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

11.10 **Mutual Waiver of Jury Trial / Judicial Reference**.

(a)Because disputes arising in connection with complex financial transactions are most quickly and economically resolved by an experienced and expert Person and the parties wish applicable state and federal laws to apply (rather than arbitration rules), the parties desire that their disputes be resolved by a judge applying such applicable laws. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, INCLUDING WITHOUT LIMITATION ANY CAUSE OF ACTION, CLAIM, CROSS-CLAIM, COUNTERCLAIM, THIRD PARTY CLAIM OR ANY OTHER CLAIM (COLLECTIVELY, "**CLAIMS**") ASSERTED BY THE BORROWER AGAINST THE AGENT, THE LENDERS OR THEIR RESPECTIVE ASSIGNEES OR BY THE AGENT, THE LENDERS OR THEIR RESPECTIVE ASSIGNEES AGAINST THE BORROWER. EACH PARTY

HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.10.

(b)This waiver extends to all such Claims, including Claims that involve Persons other than the Agent, the Borrower and the Lenders; Claims that arise out of or are in any way connected to the relationship among the Borrower, the Agent and the Lenders; and any Claims for damages, breach of contract, tort, specific performance, or any equitable or legal relief of any kind, arising out of this Agreement, any other Loan Document.

11.11 **Professional Fees**. The Borrower promises to pay the Agent's and the Lenders' fees and expenses necessary to finalize the loan documentation, including but not limited to reasonable attorneys' fees, UCC searches, filing costs, and other miscellaneous expenses. In addition, the Borrower promises to pay any and all reasonable attorneys' and other professionals' fees and expenses incurred by the Agent and the Lenders after the Closing Date in connection with or related to: (a) the Loan; (b) the administration, collection, or enforcement of the Loan; (c) the amendment or modification of the Loan Documents; (d) any waiver, consent, release, or termination under the Loan Documents; (e) the protection, preservation, audit, field exam, sale, lease, liquidation, or disposition of Collateral or the exercise of remedies with respect to the Collateral; (f) any legal, litigation, administrative, arbitration, or out of court proceeding in connection with or related to the Borrower or the Collateral, and any appeal or review thereof; and (g) any bankruptcy, restructuring, reorganization, assignment for the benefit of creditors, workout, foreclosure, or other action related to the Borrower, the Collateral, the Loan Documents, including representing the Agent or the Lenders in any adversary proceeding or contested matter commenced or continued by or on behalf of the Borrower's estate, and any appeal or review thereof.

11.12 **Confidentiality**. The Agent and the Lenders acknowledge that certain items of Collateral and information provided to the Agent and the Lenders by the Borrower are confidential and proprietary information of the Borrower, if and to the extent such information either (x) is marked as confidential by the Borrower at the time of disclosure, or (y) should reasonably be understood to be confidential (the "**Confidential Information**"). Accordingly, the Agent and the Lenders agree that any Confidential Information it may obtain in the course of acquiring, administering, or perfecting the Agent's security interest in the Collateral shall not be disclosed to any other Person or entity in any manner whatsoever, in whole or in part, without the prior written consent of the Borrower, except that the Agent and the Lenders may each disclose any such information: (a) to its own directors, officers, employees, accountants, counsel and other professional advisors and to its Affiliates, equity owners and investors if the Agent or any such Lender in its reasonable discretion determines that any such party should have access to such information in connection with such party's responsibilities in connection with the Loan or this Agreement or its own governing documents; provided that such recipient of such Confidential Information either (i) agrees to be bound by the confidentiality provisions of this paragraph or (ii) is otherwise subject to confidentiality restrictions that reasonably protect against the disclosure of Confidential Information; (b) if such information is generally available to the public; (c) if required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over the Agent or any such Lender; (d) if required or appropriate in response to any summons or subpoena or in connection with any litigation, to the extent permitted or deemed advisable by the Agent's or any such Lender's counsel; (e) to comply with any legal requirement or law applicable to the Agent or any such Lender; (f) to the extent reasonably necessary in connection with the exercise of any right or remedy under any Loan Document, including the Agent's sale, lease, or other disposition of Collateral after default; (g) to any participant or assignee of the Agent or any such Lender or any prospective such participant or assignee; provided that such participant or assignee or prospective participant or assignee agrees in writing to be bound by this Section prior to disclosure; or (h) otherwise with the prior consent of the Borrower; provided that any disclosure made in violation of this Agreement shall not affect the obligations of the Borrower or any of its Affiliates or any guarantor under this Agreement or the other Loan Documents. The Agent's and the Lenders' obligations under this Section 11.12 shall supersede all of their respective obligations under any nondisclosure agreement with the Borrower existing prior to the Closing Date.

11.13 **Assignment of Rights**.

(a)The Borrower acknowledges and understands that the Agent or any Lender may sell and assign all or part of its interest hereunder and under the Loan Documents to any Person or entity (an "**Assignee**"). After such assignment the term "the Agent" or "the Lenders" as used in the Loan Documents shall mean and include such Assignee, and such Assignee shall be vested with all rights, powers and remedies of the Agent and the Lenders hereunder with respect to the interest so assigned; but with respect to any such interest not so transferred, the Agent and the Lenders shall retain all rights, powers and remedies hereby given. No such assignment by the Agent or the Lenders shall relieve the Borrower of any of its obligations hereunder.

(b)The Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices records of the name and address of, and the commitments of and the principal amount (and stated interest) of the Loan owing to, each Lender from time to time (the "**Register**"). The entries in the Register shall be conclusive, absent manifest error. The Register shall be available for inspection by the Borrower or any Lender (but only with respect to any entry relating to such Lender's commitments or Loans) at any reasonable time and from time to time upon reasonable prior notice. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 11.13.

(c) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each participant and the principal amounts (and stated interest) of each participant's interest in the Loan or other obligations under this Agreement or any other Loan Document (the "**Participant Register**"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any participant or any information relating to a participant's interest in the Loan) to any Person except to the extent that such disclosure is necessary to establish that such Loan is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Agent (in its capacity as Agent) shall have no responsibility for maintaining any Participant Register.

(d) This Section 11.13 shall be construed so that the Loans are at all times maintained in "registered form" within the meaning of sections 163(f), 871(h)(2) and 881(c)(2) of the Code and any related regulations (and any successor provisions).

11.14 **Revival of Secured Obligations**. This Agreement and the Loan Documents shall remain in full force and effect and continue to be effective if any petition is filed by or against the Borrower for liquidation or reorganization, if the Borrower becomes insolvent or makes an assignment for the benefit of creditors, if a receiver or trustee is appointed for all or any significant part of the Borrower's assets, or if any payment or transfer of Collateral is recovered from the Agent or the Lenders. The Loan Documents and the Secured Obligations and Collateral security shall continue to be effective, or shall be revived or reinstated, as the case may be, if at any time payment and performance of the Secured Obligations or any transfer of Collateral to the Agent, or any part thereof is rescinded, avoided or avoidable, reduced in amount, or must otherwise be restored or returned by, or is recovered from, the Agent, the Lenders or by any obligee of the Secured Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment, performance, or transfer of Collateral had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, avoided, avoidable, restored, returned, or recovered, the Loan Documents and the Secured Obligations shall be deemed, without any further action or

documentation, to have been revived and reinstated except to the extent of the full, final, and indefeasible payment to the Agent or the Lenders in Cash.

11.15 **Counterparts**. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so delivered shall be deemed an original, but all of which counterparts shall constitute but one and the same instrument.

11.16 **No Third Party Beneficiaries**. No provisions of the Loan Documents are intended, nor will be interpreted, to provide or create any third-party beneficiary rights or any other rights of any kind in any Person other than the Agent, the Lenders and the Borrower unless specifically provided otherwise herein, and, except as otherwise so provided, all provisions of the Loan Documents will be personal and solely among the Agent, the Lenders and the Borrower.

11.17 **Agency**.

(a)The Lenders hereby irrevocably appoint Silverpeak Credit Partners, LP to act on their behalf as the Agent hereunder and under the other Loan Documents and authorize the Agent to take such actions on their behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto.

(b)The Lenders agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), according to its respective Loan Advance percentages (based upon the total outstanding Loan Advances) in effect on the date on which indemnification is sought under this Section 11.17, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

(c)The Person serving as the Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Agent and the term "Lender" shall, unless otherwise expressly indicated or unless the context otherwise requires, include each such Person serving as the Agent hereunder in its individual capacity.

(d)The Agent shall have no duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Agent shall not:

(i) be subject to any fiduciary or other implied duties, regardless of whether any default or any Event of Default has occurred and is continuing;

(ii) have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent is required to exercise as directed in writing by the Lenders; provided that the Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent to liability or that is contrary to any Loan Document or applicable law; and

(iii) except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and the Agent shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by any Person serving as the Agent or any of its Affiliates in any capacity.

(e)The Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Lenders or as the Agent shall believe in good faith shall be necessary, under the circumstances or (ii) in the absence of its own gross negligence or willful misconduct.

(f)The Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent.

(g) The Agent may rely, and shall be fully protected in acting, or refraining to act, upon, any resolution, statement, certificate, instrument, opinion, report, notice, request, consent, order, bond or other paper or document that it has no reason to believe to be other than genuine and to have been signed or presented by the proper party or parties or, in the case of cables, telecopies and telexes, to have been sent by the proper party or parties. In the absence of its gross negligence or willful misconduct, the Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Agent and conforming to the requirements of this Agreement or any of the other Loan Documents. The Agent may consult with its counsel, and any opinion or legal advice of such counsel shall be full and complete authorization and protection in respect of any action taken, not taken or suffered by the Agent hereunder or under any Loan Documents in accordance therewith. The Agent shall have the right at any time to seek instructions concerning the administration of the Collateral from any court of competent jurisdiction. The Agent shall not be under any obligation to exercise any of the rights or powers granted to the Agent by this Agreement and the other Loan Documents at the request or direction of the Lenders unless the Agent shall have been provided by the Lenders with adequate security and indemnity against the costs, expenses and liabilities that may be incurred by it in compliance with such request or direction.

(h)Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

(i) The Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "Resignation Effective Date"), then the retiring Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date. With effect from the Resignation Effective Date (i) the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents and (ii) except for any indemnity payments owed to the retiring or removed Agent, all payments, communications and determinations provided to be made by, to or through the Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Agent as provided for above. Upon the acceptance of a successor's appointment as Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Agent (other than any rights to indemnity payments owed to the retiring Agent), and the retiring Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 11.17 shall continue in effect for the benefit of such retiring or removed Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Agent was acting as Agent.

(j) As consideration for its services hereunder, the Agent shall be entitled to receive the Administration Fee, payable as provided in the Fee Letter.

11.18 **Certain ERISA Matters**

(a)Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Guarantor or their respective Affiliates, that at least one of the following is and will be true:

(i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Plans in connection with the Loan,

(ii)the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loan and this Agreement;

(iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loan and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loan and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loan and this Agreement, or

(iv) such other representation, warranty and covenant as may be agreed in writing between the Agent, in its sole discretion, and such Lender.

(b)In addition, unless sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or such Lender has not provided another representation, warranty and covenant as provided in sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Agent and its Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Borrower, the Guarantor, or their respective Affiliates, that:

(i)none of the Agent or any of its Affiliates is a fiduciary with respect to the assets of such Lender (including in connection with the reservation or exercise of any rights by the Agent under this Agreement, any Loan Document or any documents related to hereto or thereto), (ii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loans and this Agreement is independent (within the meaning of 29 CFR § 2510.3-21) and is a bank, an insurance carrier, an investment adviser, a broker-dealer or other person that holds, or has under management or control, total assets of at least $50 million, in each case as described in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E),

(ii)the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loan and this Agreement is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies (including in respect of the Obligations),

(iii) the Person making the investment decision on behalf of such Lender with respect to the entrance into, participation in, administration of and performance of the Loan and this Agreement is a fiduciary under ERISA or the Code, or both, with respect to the Loan and this Agreement and is responsible for exercising independent judgment in evaluating the transactions hereunder, and

(iv)no fee or other compensation is being paid directly to the Agent or any of its Affiliates for investment advice (as opposed to other services) in connection with the Loan or this Agreement.

(c)The Agent hereby informs the Lenders that each such Person is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the transactions contemplated hereby, and that such Person has a financial interest in the transactions contemplated hereby in that such Person or an Affiliate thereof (i) may receive interest or other payments with respect to the Loan and this Agreement, (ii) may recognize a gain if it extended the Loan for an amount less than the amount being paid for an interest in the Loan by such Lender or (iii) may receive fees or other payments in connection with the transactions contemplated hereby, the Loan Documents or otherwise, including structuring fees, commitment fees, arrangement fees, facility fees, upfront fees, underwriting fees, ticking fees, agency fees, administrative agent or collateral agent fees, utilization fees, minimum usage fees, letter of credit fees, fronting fees, deal-away or alternate transaction fees, amendment fees, processing fees, term out premiums, banker's acceptance fees, breakage or other early termination fees or fees similar to the foregoing.

11.19 **Publicity**. None of the parties hereto nor any of its respective member businesses and Affiliates shall, without the other parties' prior written consent, publicize or use (a) the other party's name (including a brief description of the relationship among the parties hereto), logo or hyperlink to such other parties' web site, separately or together, in written and oral presentations, advertising, promotional and marketing materials, client lists, public relations materials or on its web site (together, the "**Publicity Materials**"); (b) the names of officers of such other parties in the Publicity Materials; and (c) such other parties' name, trademarks, service marks in any news or press release concerning such party; provided, however, notwithstanding anything to the contrary herein, no such consent shall be required (i) to the extent necessary to comply with the requests of any regulators, legal requirements or laws applicable to such party, pursuant to any listing agreement with any national securities exchange (so long as such party provides prior notice to the other party hereto to the extent reasonably practicable) and (ii) to comply with Section 11.12.

11.20 **Joint and Several Liability; DDH as Agent for Borrower Entities**. The Borrower Entities shall be jointly and severally liable for all obligations of the Borrower hereunder. Each Borrower Entity hereby irrevocably appoints DDH as its representative and agent for all purposes of this Agreement, with full authority to bind such Borrower Entity in full, and the Agent and Lenders shall be entitled to rely on all actions, authorizations and consents by DDH (including without limitation execution of any amendments hereto or to any other Loan Document) as binding upon each such Borrower Entity, and any notice to, or other communication with, any Borrower Entity shall be sufficiently delivered and made if delivered or made to DDH. Any reference to the "Borrower" in any representation, covenant or other provision of this Agreement shall be deemed to be a representation, covenant or other provision applicable to each Borrower Entity or of the Borrower Entities taken as a whole, as the context requires.

11.21 **Intercreditor Agreement**. Anything herein to the contrary notwithstanding, the Liens and security interests securing the obligations evidenced by the Note, the exercise of any right or remedy with respect thereto and certain of the rights of the holder thereof are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern and control.

(SIGNATURES TO FOLLOW)

IN WITNESS WHEREOF, the Borrower Entities, the Agent and the Lenders have duly executed and delivered this Loan and Security Agreement as of the day and year first above written.

THE BORROWER:

DIRECT DIGITAL HOLDINGS, LLC

Signature: /s/ Keith W. Smith

Print Name: Keith W. Smith

Title: President

ORANGE142, LLC

Signature: /s/ Keith W. Smith

Print Name: Keith W. Smith

Title: President

HUDDLED MASSES LLC

Signature: /s/ Keith W. Smith

Print Name: Keith W. Smith

Title: President

COLOSSUS MEDIA, LLC

Signature: /s/ Keith W. Smith

Print Name: Keith W. Smith

Title: President

[Signature Page to Loan and Security Agreement]

UNIVERSAL STANDARDS FOR DIGITAL MARKETING, LLC

Signature: /s/ Keith W. Smith

Print Name: Keith W. Smith

Title: President

[Signature Page to Loan and Security Agreement]

Accepted and Agreed:

THE AGENT: **SILVERPEAK CREDIT PARTNERS, LP**

Signature: /s/ Vaibhav Kumar

Print Name: Vaibhav Kumar

Title: Partner and Portfolio Manager

THE LENDER: **SILVERPEAK CREDIT OPPORTUNITIES AIV LP**

By: Silverpeak Credit Opportunities Cayman GP LP, its General Partner

By: SP CO GP Ltd, its General Partner

Signature: /s/ Vaibhav Kumar

Print Name: Vaibhav Kumar

Title: Partner and Portfolio Manager

[Signature Page to Loan and Security Agreement]

Exhibit 10.9

BOARD SERVICES AND CONSULTING AGREEMENT

THIS BOARD SERVICES AND CONSULTING AGREEMENT is made as of September 30, 2020 (this "Agreement"), by and between Direct Digital Holdings, LLC, a Texas limited liability company (the "Company") and USDM Holdings, Inc., a Texas corporation ("USDM").

STATEMENT OF PURPOSE

WHEREAS, the Company wishes to enter into this Agreement with USDM, and USDM wishes to enter into this Agreement with the Company, to provide for the terms and conditions under which USDM will provide an individual, who shall initially be Leah Woolford, to serve as a member of the Board of Managers of the Company (the "Board") and perform other services for the Company; and

WHEREAS, terms used but not otherwise defined herein shall have the meanings ascribed in the Amended and Restated Limited Liability Company Agreement of the Company, dated as of the date hereof (as amended, restated or otherwise modified from time to time in accordance with its terms, the "LLCA").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

1. Position. During the Term (as defined in Section 7 hereof), subject to the terms and conditions of this Agreement and the LLCA, USDM shall provide an individual, who shall initially be Leah Woolford, to serve as the USDM Manager (as such term is defined in the LLCA) of the Board and to serve as the Senior Advisor of the Company and be an Officer of the Company under the LLCA (such individual, a "Consultant"). For the avoidance of doubt, any Consultant hereunder shall be required to serve as the USDM Manager and any replacement Consultant shall be subject to the same approval rights applicable to a USDM Manager pursuant to Section 5.2 of the LLCA.

2. Duties; Meetings. During the Term:

    a. At the option of USDM, USDM shall provide a Consultant to serve as the USDM Manager of the Board. USDM shall make reasonable efforts to ensure that the Consultant (i) attends all Board meetings in person or by conference telephone, videoconference or any other means of communication that allow all persons participating in the meeting to simultaneously hear each other during the meeting, (ii) serves as a director (or in an equivalent position) of any subsidiary and/or affiliate of the Company if requested by the Company, and (iii) answers questions and provide reasonable strategic advice to the Company's officers as requested from time to time. The Company expects to have four (4) regular quarterly meetings of the Board each year.

    b. USDM shall make reasonable efforts to ensure that Consultant (i) provides insights regarding commercial and economic issues that could impact the Company and its subsidiaries, giving context to strategic decisions, and (ii) mentors senior leadership, acting as a sounding board, to advise and reflect on priorities/concerns and to challenge assumptions.

    c. USDM shall make reasonable efforts to ensure that Consultant promotes the interests of the Company and its subsidiaries. The Company recognizes that, subject to Section 2.8 of the LLCA, (i) the Consultant may be providing consulting services to, or be employed by, other entities and (ii) the Consultant may sit on the board of directors (or equivalent bodies) of other entities. As such, USDM shall make reasonable efforts to ensure that Consultant will coordinate Consultant's respective commitments so as to fulfill Consultant's obligations as a member of the Board and Consultant's obligations under this Agreement.

    d. Consultant may perform services under this Agreement from any location and shall use USDM's or Consultant's own equipment in the performance of services hereunder.

3. Compensation; Benefits.

    a. USDM will make Consultant available to the Company to provide services to the Company under this Agreement for up to fifty (50) hours per month during the Term, at an hourly rate of $300 per hour. Any services of Consultant over fifty (50) hours per month will be approved in writing by the Board. USDM will be paid for Consultant's services to the Company within ten (10) days after USDM's submission to the Company of an invoice for Consultant's services provided to the Company hereunder. Based on the performance of the Company and its subsidiaries, the Board shall meet annually to (i) review and possibly increase the compensation payable hereunder and (ii) pay to USDM a performance-based bonus, if any, as determined by the Board in their sole discretion.

    b. During the Term, the Consultant and her direct family members shall be eligible to participate in and be covered at the same level as she had been covered prior to the Closing under all employee benefit plans and programs maintained by the Company and/or its subsidiaries. To the extent the Company cannot provide maintain coverage for the Consultant on the Company's health insurance, dental insurance, short term disability insurance, long term disability insurance and life insurance plans ("Plans") on the day of Closing, the Company shall provide for, or reimburse USDM for all out-of-pocket costs incurred for the purchase of insurance coverage that provides comparable benefit levels to the Consultant and her direct family members to the Company's Plans at no greater cost.

    c. During the Term, the Company shall reimburse USDM for all reasonable out-of-pocket expenses incurred by the Consultant in connection with Consultant's services under this Agreement; provided, that USDM complies with the generally applicable policies, practices and procedures of the Company for submission of expense reports, receipts or similar documentation of such expenses.

4. Independent Contractor. USDM's status during the Term shall be that of an independent contractor and not, for any purpose, that of an employee or agent with authority to bind the Company or its subsidiaries in any respect; provided, however, that (a) during the USDM Control Period (as defined in the LLCA), the Consultant will have the agency with authority to bind the Company or its subsidiaries pursuant to and subject to the terms and conditions of the LLCA, and (b) during such period that the Consultant is also an Officer (as defined in the LLCA) of the Company, the Consultant, as an Officer, shall have such agency and authority to bind the Company or its subsidiaries pursuant to the rights and obligations of such Officer position held by the Consultant, subject to the terms and conditions of the LLCA. Except to the extent required by applicable law, all payments and other consideration made or provided to USDM under Section 3 hereof shall be made or provided without withholding or deduction of any kind and USDM shall assume sole responsibility for discharging all tax or other obligations associated therewith.

5. Legal and Tax Matters. USDM should consult its own legal counsel, tax advisor, accountant, and/or business advisor as to legal, tax and related matters concerning its compensation and services provided pursuant to this Agreement.

6. USDM's Representation and Acknowledgment. USDM represents to the Company that its execution and performance of this Agreement shall not be in violation of any agreement or obligation (whether or not written) that it may have with or to any person or entity. USDM hereby acknowledges and agrees that this Agreement (and any other agreement or obligation referred to herein) shall be an obligation solely of the Company, and USDM shall have no recourse whatsoever against any member of the Company or any of their respective affiliates with regard to this Agreement.

7. Term. Subject to the terms and conditions set forth in the LLCA, the term of this Agreement (the "Term") shall mean the period commencing on the date hereof and terminating on the earliest of the following to occur:

    a. the death of the Consultant;

    b. the date on which USDM terminates this Agreement (provided however that the termination of the Consultant's service as a Manager on the Board for any or no reason shall not be a termination by USDM of this Agreement);

    c. the date on which the Company terminates this Agreement pursuant to a Termination Event; or

    d. the date that:

        i. all distributions pursuant to Section 3.1(a) through (d) of the LLCA of the Company have been paid in full; and

        ii. the redemption of all of the Class A Preferred Units, Class B Preferred Units and Common Units held by the USDM Investor have been completed pursuant to Sections 8.8, 8.9 and 8.10 of the LLCA.

As used herein, a "Termination Event" shall mean (i) USDM's or Consultant's fraud, or (ii) the date that the USDM Investor (as defined in the LLCA) does not own at least five percent (5%) of the outstanding Common Units (on a Fully Diluted Basis) in the Company and (B) all of the USDM Investor's Class A Preferred Units (as defined in the LLCA) and Class B Preferred Units (as defined in the LLCA) have been redeemed pursuant to the LLCA.

For the avoidance of doubt, if the Term would be terminable pursuant to Section 8.a, then the Consultant's heirs shall be entitled to receipt of any payments payable hereunder.

8. Indemnification. The Company agrees to indemnify the Consultant for her activities as a Board member and for the services provided under this Agreement to the fullest extent permitted under the LLCA and/or applicable law whichever provides greater protection. The Company agrees that Consultant shall be a Covered Person (as defined in the LLCA) and shall have coverage under the Company's D&O insurance policy that the Company is required to maintain pursuant to Section 5.4(f) of the LLCA.

9. Non-Waiver of Rights. The failure to enforce at any time the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part hereof, or the right of either party to enforce each and every provision in accordance with its terms. No waiver by any party hereto of any breach by another party hereto of any provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions at that time or at any prior or subsequent time.

10. Notices. Every notice relating to this Agreement shall be in writing and shall be given by personal delivery, electronic mail or by registered or certified mail, postage prepaid, return receipt requested; to:

    To the Company:

    Direct Digital Holdings, LLC
    10219 Piping Rock Lane
    Houston, TX 77042
    Attention: Keith Smith and Mark Walker
    Email: ksmith@directdigitalholdings.com
    mwalker@directdigitalholdings.com

    with copies (which shall not constitute notice) to:

    McGuireWoods LLP
    2000 McKinney Avenue, Suite 1400
    Dallas, TX 75201
    Attention: Phyllis Y. Young
    Email: pyoung@mcguirewoods.com

    To the Consultant

    USDM Holdings, Inc.
    5729 Krause Lane, Unit #13
    Austin, Texas 78738
    Email: leah@usdmholdings.com

Any party hereto may change its address for purposes of notice hereunder by giving notice in writing to the other party pursuant to this Section 10.

11. Binding Effect; Assignment; Third-Party Beneficiary. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, personal representatives, estates, successors (including, without limitation, by way of merger) and permitted assigns. Notwithstanding the provisions of the immediately preceding sentence, neither USDM nor the Company shall assign all or any portion of this Agreement without the prior written consent of the other party. Leah Woodford shall be a third-party beneficiary of this Agreement.

12. Entire Agreement. This Agreement (together with any other agreement referred to herein) sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, written or oral, between them as to such subject matter.

13. Severability. If any provision of this Agreement, or any application thereof to any circumstances, is invalid, in whole or in part, such provision or application shall to that extent be severable and shall not affect other provisions or applications of this Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas, without reference to the principles of conflict of laws. Any and all claims, counterclaims, disputes and other matters in question arising out of or relating to this Agreement or the breach hereof will be resolved by the parties hereto in accordance with Section 12.16 of the LLCA.

15. Modifications. Neither this Agreement nor any provision hereof may be modified, altered, amended or waived except by an instrument in writing duly signed by the parties hereto.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Transmission of images of signed signature pages by facsimile, e-mail or other electronic means shall have the same effect as the delivery of manually signed documents in person.

17. Conflict. In the event of a conflict between this Agreement and the LLCA, the LLCA shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date first above written.

COMPANY

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Keith Smith
Name: Keith Smith
Title: Manager

USDM

USDM HOLDINGS, INC.

By: /s/ Leah Woolford
Name: Leah Woolford
Title: Chief Executive Officer

[Signature Page to Board Services and Consulting Agreement – USDM Holdings, Inc.]

Exhibit 10.10

BOARD SERVICES AND CONSULTING AGREEMENT

THIS BOARD SERVICES AND CONSULTING AGREEMENT is made as of September 30, 2020 (this "Agreement"), by and between Direct Digital Holdings, LLC, a Texas limited liability company (the "Company") and Mark Walker ("Consultant").

STATEMENT OF PURPOSE

WHEREAS, the Company wishes to enter into this Agreement with the Consultant, and the Consultant wishes to enter into this Agreement with the Company, to provide for the terms and conditions under which the Consultant will serve as a member of the Board of Managers of the Company (the "Board") and perform other services for the Company; and

WHEREAS, terms used but not otherwise defined herein shall have the meanings ascribed in the Amended and Restated Limited Liability Company Agreement of the Company, dated as of the date hereof (as amended, restated or otherwise modified from time to time in accordance with its terms, the "LLCA").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

1. Position. During the Term (as defined in Section 7 hereof), subject to the terms and conditions of this Agreement and the LLCA, at the option of Direct Digital Management, LLC, a Delaware limited liability company ("DDM"), the Consultant shall serve as a DDH Manager (as such term is defined in the LLCA) of the Board. Consultant shall also serve as the Chief Executive Officer ("CEO") of the Company and be an Officer of the Company under the LLCA. For the avoidance of doubt, the Consultant shall be required to serve as a DDH Manager and any replacement Consultant shall be subject to the same approval rights applicable to a DDH Manager pursuant to Section 5.2 of the LLCA.

2. Duties; Meetings. During the Term:

    a. At the option of DDM (but subject to Section 5.2 of the LLCA), the Consultant shall serve as the DDH Manager of the Board, and for so long as the Consultant is a DDH Manager of the Board, shall make reasonable business efforts to (i) attend all Board meetings in person or by conference telephone, videoconference or any other means of communication that allow all persons participating in the meeting to simultaneously hear each other during the meeting, (ii) serve as a director (or in an equivalent position) of any subsidiary and/or affiliate of the Company if requested by the Company, and (iii) answer questions and provide reasonable strategic advice to the Company's officers as requested from time to time. The Company expects to have four (4) regular quarterly meetings of the Board each year.

    b. Consultant shall provide insights regarding commercial and economic issues that could impact the Company and its subsidiaries, giving context to strategic decisions.

    c. Consultant shall use his reasonable efforts to promote the interests of the Company and its subsidiaries.

    d. Consultant may perform services under this Agreement from any location and shall use Consultant's own equipment in the performance of services hereunder.

3. Compensation; Benefits.

    a. Consultant will be available to the Company to provide services to the Company under this Agreement for $450,000 per year paid on a bi-weekly basis calculated on an hourly basis as $216.35 per hour for eighty (80) hours for 26 bi-weekly pay periods. Any services of Consultant over the above-referenced amount will be approved in writing by the Board. Based on the performance of the Company and its subsidiaries, the Board shall meet annually, unless otherwise agreed by the Board, to (i) review and possibly increase the compensation payable hereunder and (ii) pay to Consultant a performance-based bonus, if any, as determined by the Board in their sole discretion.

    b. During the Term, the Consultant and his direct family members shall be eligible to participate in and be covered under all employee benefit plans and programs maintained by the Company and/or its subsidiaries. To the extent the Company cannot provide and maintain coverage for the Consultant on the Company's health insurance, dental insurance, short term disability insurance, long term disability insurance and life insurance plans ("Plans") on the day of Closing, the Company shall provide for, or reimburse Consultant for all out-of-pocket costs incurred for the purchase of insurance coverage that provides comparable benefit levels to the Consultant and his direct family members to the Company's Plans at no greater cost.

    c. During the Term, the Company shall reimburse Consultant for all reasonable out-of-pocket expenses incurred by the Consultant in connection with Consultant's services under this Agreement; provided, that Consultant complies with the generally applicable policies, practices and procedures of the Company for submission of expense reports, receipts or similar documentation of such expenses.

4. Independent Contractor. Consultant's status during the Term shall be that of an independent contractor and not, for any purpose, that of an employee or agent with authority to bind the Company or its subsidiaries in any respect; provided, however, that (a) during the USDM Control Period (as defined in the LLCA), the Consultant will have the agency with authority to bind the Company or its subsidiaries pursuant to and subject to the terms and conditions of the LLCA, and (b) during such period that the Consultant is also an Officer (as defined in the LLCA) of the Company, the Consultant, as an Officer, shall have such agency and authority to bind the Company or its subsidiaries pursuant to the rights and obligations of such Officer position held by the Consultant, subject to the terms and conditions of the LLCA. Except to the extent required by applicable law, all payments and other consideration made or provided to Consultant under Section 3 hereof shall be made or provided without withholding or deduction of any kind and Consultant shall assume sole responsibility for discharging all tax or other obligations associated therewith.

5. Legal and Tax Matters. Consultant should consult his own legal counsel, tax advisor, accountant, and/or business advisor as to legal, tax and related matters concerning his compensation and services provided pursuant to this Agreement.

6. Consultant's Representation and Acknowledgment. Consultant represents to the Company that his execution and performance of this Agreement shall not be in violation of any agreement or obligation (whether or not written) that he may have with or to any person or entity, including without limitation, any current or prior employment agreement or obligation. Consultant hereby acknowledges and agrees that this Agreement (and any other agreement or obligation referred to herein) shall be an obligation solely of the Company, and Consultant shall have no recourse whatsoever against any member of the Company or any of their respective affiliates with regard to this Agreement.

7. Term. Subject to the terms and conditions set forth in the LLCA, the term of this Agreement (the "Term") shall mean the period commencing on the date hereof and terminating on the earliest of the following to occur:

    a. the death of the Consultant;

    b. the date on which Consultant terminates this Agreement (provided however that the termination of the Consultant's service as a Manager on the Board for any or no reason shall not be a termination by Consultant of this Agreement);

    c. the date on which the Company terminates this Agreement pursuant to a Termination Event.

As used herein, a "Termination Event" shall mean (i) Consultant's fraud.

For the avoidance of doubt, if the Term would be terminable pursuant to Section 7.a., then the Consultant's heirs shall be entitled to receipt of any payments payable hereunder.

8. Indemnification. The Company agrees to indemnify the Consultant for his activities as a Board member and for the services provided under this Agreement to the fullest extent permitted under the LLCA and/or applicable law whichever provides greater protection. The Company agrees that Consultant shall be a Covered Person (as defined in the LLCA) and shall have coverage under the Company's D&O insurance policy that the Company is required to maintain pursuant to Section 5.4(f) of the LLCA.

9. Non-Waiver of Rights. The failure to enforce at any time the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part hereof, or the right of either party to enforce each and every provision in accordance with its terms. No waiver by any party hereto of any breach by another party hereto of any provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions at that time or at any prior or subsequent time.

10. Notices. Every notice relating to this Agreement shall be in writing and shall be given by personal delivery, electronic mail or by registered or certified mail, postage prepaid, return receipt requested; to:

    To the Company:

    Direct Digital Holdings, LLC
    10219 Piping Rock Lane
    Houston, TX 77042
    Attention: Keith Smith and Mark Walker
    Email: ksmith@directdigitalholdings.com
    mwalker@directdigitalholdings.com

    with copies (which shall not constitute notice) to:

    McGuireWoods LLP
    2000 McKinney Avenue, Suite 1400
    Dallas, TX 75201
    Attention: Phyllis Y. Young
    Email: pyoung@mcguirewoods.com

    To the Consultant

    Mark Walker
    10219 Piping Rock Lane
    Houston, Texas 77042
    Email: mwalker@directdigitalholdings.com

Any party hereto may change its address for purposes of notice hereunder by giving notice in writing to the other party pursuant to this Section 10.

11. Binding Effect; Assignment; Third-Party Beneficiary. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, personal representatives, estates, successors (including, without limitation, by way of merger) and permitted assigns. Notwithstanding the provisions of the immediately preceding sentence, neither Consultant nor the Company shall assign all or any portion of this Agreement without the prior written consent of the other party.

12. Entire Agreement. This Agreement (together with any other agreement referred to herein) sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, written or oral, between them as to such subject matter.

13. Severability. If any provision of this Agreement, or any application thereof to any circumstances, is invalid, in whole or in part, such provision or application shall to that extent be severable and shall not affect other provisions or applications of this Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas, without reference to the principles of conflict of laws. Any and all claims, counterclaims, disputes and other matters in question arising out of or relating to this Agreement or the breach hereof will be resolved by the parties hereto in accordance with Section 12.16 of the LLCA.

15. Modifications. Neither this Agreement nor any provision hereof may be modified, altered, amended or waived except by an instrument in writing duly signed by the parties hereto.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Transmission of images of signed signature pages by facsimile, e-mail or other electronic means shall have the same effect as the delivery of manually signed documents in person.

17. Conflict. In the event of a conflict between this Agreement and the LLCA, the LLCA shall control. In the event of a conflict between this Agreement and any agreement other than the LLCA, this Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date first above written.

COMPANY

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Keith Smith
Name: Keith Smith
Title: Manager

CONSULTANT

/s/ Mark Walker
Mark Walker

[Signature Page to Board Services and Consulting Agreement – Mark Walker]

Exhibit 10.11

BOARD SERVICES AND CONSULTING AGREEMENT

THIS BOARD SERVICES AND CONSULTING AGREEMENT is made as of September 30, 2020 (this "Agreement"), by and between Direct Digital Holdings, LLC, a Texas limited liability company (the "Company") and Keith W. Smith ("Consultant").

STATEMENT OF PURPOSE

WHEREAS, the Company wishes to enter into this Agreement with the Consultant, and the Consultant wishes to enter into this Agreement with the Company, to provide for the terms and conditions under which the Consultant will serve as a member of the Board of Managers of the Company (the "Board") and perform other services for the Company; and

WHEREAS, terms used but not otherwise defined herein shall have the meanings ascribed in the Amended and Restated Limited Liability Company Agreement of the Company, dated as of the date hereof (as amended, restated or otherwise modified from time to time in accordance with its terms, the "LLCA").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto, intending to be legally bound, agree as follows:

1. Position. During the Term (as defined in Section 7 hereof), subject to the terms and conditions of this Agreement and the LLCA, at the option of Direct Digital Management, LLC, a Delaware limited liability company ("DDM"), the Consultant shall serve as a DDH Manager (as such term is defined in the LLCA) of the Board. Consultant shall also serve as the President of the Company and be an Officer of the Company under the LLCA. For the avoidance of doubt, the Consultant shall be required to serve as a DDH Manager and any replacement Consultant shall be subject to the same approval rights applicable to a DDH Manager pursuant to Section 5.2 of the LLCA.

2. Duties; Meetings. During the Term:

    a. At the option of DDM (but subject to Section 5.2 of the LLCA), the Consultant shall serve as the DDH Manager of the Board, and for so long as the Consultant is a DDH Manager of the Board, shall make reasonable business efforts to (i) attend all Board meetings in person or by conference telephone, videoconference or any other means of communication that allow all persons participating in the meeting to simultaneously hear each other during the meeting, (ii) serve as a director (or in an equivalent position) of any subsidiary and/or affiliate of the Company if requested by the Company, and (iii) answer questions and provide reasonable strategic advice to the Company's officers as requested from time to time. The Company expects to have four (4) regular quarterly meetings of the Board each year.

    b. Consultant shall provide insights regarding commercial and economic issues that could impact the Company and its subsidiaries, giving context to strategic decisions.

    c. Consultant shall use his reasonable efforts to promote the interests of the Company and its subsidiaries.

    d. Consultant may perform services under this Agreement from any location and shall use Consultant's own equipment in the performance of services hereunder.

3. Compensation; Benefits.

    a. Consultant will be available to the Company to provide services to the Company under this Agreement for $450,000 per year paid on a bi-weekly basis calculated on an hourly basis as $216.35 per hour for eighty (80) hours for 26 bi-weekly pay periods. Any services of Consultant over the above-referenced amount will be approved in writing by the Board. Based on the performance of the Company and its subsidiaries, the Board shall meet annually, unless otherwise agreed by the Board, to (i) review and possibly increase the compensation payable hereunder and (ii) pay to Consultant a performance-based bonus, if any, as determined by the Board in their sole discretion.

    b. During the Term, the Consultant and his direct family members shall be eligible to participate in and be covered under all employee benefit plans and programs maintained by the Company and/or its subsidiaries. To the extent the Company cannot provide and maintain coverage for the Consultant on the Company's health insurance, dental insurance, short term disability insurance, long term disability insurance and life insurance plans ("Plans") on the day of Closing, the Company shall provide for, or reimburse Consultant for all out-of-pocket costs incurred for the purchase of insurance coverage that provides comparable benefit levels to the Consultant and his direct family members to the Company's Plans at no greater cost.

    c. During the Term, the Company shall reimburse Consultant for all reasonable out-of-pocket expenses incurred by the Consultant in connection with Consultant's services under this Agreement; provided, that Consultant complies with the generally applicable policies, practices and procedures of the Company for submission of expense reports, receipts or similar documentation of such expenses.

4. Independent Contractor. Consultant's status during the Term shall be that of an independent contractor and not, for any purpose, that of an employee or agent with authority to bind the Company or its subsidiaries in any respect; provided, however, that (a) during the USDM Control Period (as defined in the LLCA), the Consultant will have the agency with authority to bind the Company or its subsidiaries pursuant to and subject to the terms and conditions of the LLCA, and (b) during such period that the Consultant is also an Officer (as defined in the LLCA) of the Company, the Consultant, as an Officer, shall have such agency and authority to bind the Company or its subsidiaries pursuant to the rights and obligations of such Officer position held by the Consultant, subject to the terms and conditions of the LLCA. Except to the extent required by applicable law, all payments and other consideration made or provided to Consultant under Section 3 hereof shall be made or provided without withholding or deduction of any kind and Consultant shall assume sole responsibility for discharging all tax or other obligations associated therewith.

5. Legal and Tax Matters. Consultant should consult his own legal counsel, tax advisor, accountant, and/or business advisor as to legal, tax and related matters concerning his compensation and services provided pursuant to this Agreement.

6. Consultant's Representation and Acknowledgment. Consultant represents to the Company that his execution and performance of this Agreement shall not be in violation of any agreement or obligation (whether or not written) that he may have with or to any person or entity, including without limitation, any current or prior employment agreement or obligation. Consultant hereby acknowledges and agrees that this Agreement (and any other agreement or obligation referred to herein) shall be an obligation solely of the Company, and Consultant shall have no recourse whatsoever against any member of the Company or any of their respective affiliates with regard to this Agreement.

7. Term. Subject to the terms and conditions set forth in the LLCA, the term of this Agreement (the "Term") shall mean the period commencing on the date hereof and terminating on the earliest of the following to occur:

    a. the death of the Consultant;

    b. the date on which Consultant terminates this Agreement (provided however that the termination of the Consultant's service as a Manager on the Board for any or no reason shall not be a termination by Consultant of this Agreement);

    c. the date on which the Company terminates this Agreement pursuant to a Termination Event.

As used herein, a "Termination Event" shall mean (i) Consultant's fraud.

For the avoidance of doubt, if the Term would be terminable pursuant to Section 7.a., then the Consultant's heirs shall be entitled to receipt of any payments payable hereunder.

8. Indemnification. The Company agrees to indemnify the Consultant for his activities as a Board member and for the services provided under this Agreement to the fullest extent permitted under the LLCA and/or applicable law whichever provides greater protection. The Company agrees that Consultant shall be a Covered Person (as defined in the LLCA) and shall have coverage under the Company's D&O insurance policy that the Company is required to maintain pursuant to Section 5.4(f) of the LLCA.

9. Non-Waiver of Rights. The failure to enforce at any time the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part hereof, or the right of either party to enforce each and every provision in accordance with its terms. No waiver by any party hereto of any breach by another party hereto of any provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions at that time or at any prior or subsequent time.

10. Notices. Every notice relating to this Agreement shall be in writing and shall be given by personal delivery, electronic mail or by registered or certified mail, postage prepaid, return receipt requested; to:

    To the Company:

    Direct Digital Holdings, LLC
    10219 Piping Rock Lane
    Houston, TX 77042
    Attention: Keith Smith and Mark Walker
    Email: ksmith@directdigitalholdings.com
    mwalker@directdigitalholdings.com

    with copies (which shall not constitute notice) to:

    McGuireWoods LLP
    2000 McKinney Avenue, Suite 1400
    Dallas, TX 75201
    Attention: Phyllis Y. Young
    Email: pyoung@mcguirewoods.com

    To the Consultant

    Keith Smith
    1705 Monarch Oaks Street
    Houston, Texas 77055
    Email: ksmith@directdigitalholdings.com

Any party hereto may change its address for purposes of notice hereunder by giving notice in writing to the other party pursuant to this Section 10.

11. Binding Effect; Assignment; Third-Party Beneficiary. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, personal representatives, estates, successors (including, without limitation, by way of merger) and permitted assigns. Notwithstanding the provisions of the immediately preceding sentence, neither Consultant nor the Company shall assign all or any portion of this Agreement without the prior written consent of the other party.

12. Entire Agreement. This Agreement (together with any other agreement referred to herein) sets forth the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, written or oral, between them as to such subject matter.

13. Severability. If any provision of this Agreement, or any application thereof to any circumstances, is invalid, in whole or in part, such provision or application shall to that extent be severable and shall not affect other provisions or applications of this Agreement.

14. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Texas, without reference to the principles of conflict of laws. Any and all claims, counterclaims, disputes and other matters in question arising out of or relating to this Agreement or the breach hereof will be resolved by the parties hereto in accordance with Section 12.16 of the LLCA.

15. Modifications. Neither this Agreement nor any provision hereof may be modified, altered, amended or waived except by an instrument in writing duly signed by the parties hereto.

16. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Transmission of images of signed signature pages by facsimile, e-mail or other electronic means shall have the same effect as the delivery of manually signed documents in person.

17. Conflict. In the event of a conflict between this Agreement and the LLCA, the LLCA shall control. In the event of a conflict between this Agreement and any agreement other than the LLCA, this Agreement shall control.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed as of the date first above written.

COMPANY

DIRECT DIGITAL HOLDINGS, LLC

By: /s/ Mark Walker
Name: Mark Walker
Title: Manager

CONSULTANT

/s/ Keith W. Smith
Keith W. Smith

[Signature Page to Board Services and Consulting Agreement – Keith Smith]

Exhibit 10.12

EXECUTIVE EMPLOYMENT AGREEMENT

This **EXECUTIVE EMPLOYMENT AGREEMENT** (this "Agreement") is entered into as of March 3rd, 2021 (the "Effective Date") by and between Direct Digital Holdings, LLC (the "Company"), and Anu Pillai ("Executive").

WHEREAS, Executive has a current employment agreement that is in effect and controls the employment relationship through the remainder of calendar year 2020;

WHEREAS, the Company desires to employ Executive as its Chief Technical Officer ("CTO"), and Executive desires to continue to be employed by the Company, in each case, upon the terms and conditions set forth herein;

WHEREAS, Executive acknowledges that, in the course of Executive's employment with the Company, Executive will be provided with access to and will use the Company's Confidential Information (as defined below) in the performance of job duties;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Company and Executive hereby agree as follows:

1. **Employment**.

1.1 **Position and Duties**. Subject to the terms and provisions set forth in this Agreement, during the Term of Employment (as defined below) Executive shall be employed as the Company's Chief Digital Officer. Executive shall have the duties, responsibilities and authorities normally associated with such position and such other positions and other duties and responsibilities consistent with the position of CDO as are assigned by the CEO of Direct Digital Holdings, LLC and the Board of Managers of Direct Digital Holdings, LLC (the "Board") from time to time.

1.2 **Time and Efforts**. During the Term of Employment, Executive shall devote Executive's reasonable best efforts and Executive's full business time and attention to the business and affairs of the Company. Executive shall not engage, directly or indirectly, in any other business, investment or commercial activity that (a) interferes with the performance of Executive's duties under this Agreement, (b) is contrary to the interests of the Company, or (c) requires any portion of Executive's business time.

1.3 **Term**. The term of employment under this Agreement shall commence on the Effective Date and shall continue for a period of one year ("Initial Term"). At the end of the Initial Term and every year thereafter, this Agreement shall be automatically extended for one year ("Renewal Term") unless, not later than sixty ("60") days prior to the expiration of such term, either party shall have given notice that it does not wish to extend the Agreement or the Agreement is otherwise terminated pursuant to Section 3.

2. **Compensation and Other Benefits**.

2.1 **Base Salary**. Beginning in calendar year 2021, during the Term of employment, Executive shall receive a base salary per annum, payable in accordance with the Company's normal payroll practices as in effect from time to time, of One Hundred and Sixty Thousand Dollars and Zero Cents ($160,000.00) ("Base Salary"), less all applicable withholdings and deductions.

2.2 **Performance Bonus**. In addition to Executive's base salary, Executive will be eligible to participate in an executive compensation bonus program based on achieving the agreed EBITDA goals laid out in the annual budget. Executive's annual bonus will have the following components to it:

(a.) If Company achieves 2021 EBITDA base budget target of $8.3 million ("Budget EBITDA"), Executive will receive a bonus equal to 20% of base salary.
(b.) There will also be a second bonus component. If Company exceeds 2021 EBITDA in excess of $10.5million Executive will be paid an additional bonus equal to 10% of base salary.
(c.) Bonuses will be paid as targets are met throughout the year. In order for Executive to receive payment, Executive needs to be employed by the Company when the bonuses are deemed earned.

2.3 **Benefit Plans**. During the Term of employment, Executive shall be eligible to participate in and be covered on the same basis as other similarly situated employees of the Company, under all employee benefit plans and programs maintained by the Company. Nothing herein shall obligate the Company to offer any specific benefit plans, programs or arrangements to Executive or to continue benefits formerly offered by the Company or any of its subsidiaries, provided, however, that a health insurance program will be provided.

2.4 **Expenses**. During the Term of employment, the Company shall pay or reimburse Executive for reasonable and necessary expenses directly incurred by Executive in the course of Executive's employment in accordance with the Company's standard policies and practices as in effect from time to time.

3. **Termination**. "Termination Date" means the date Executive's employment with the Company ends regardless of the reason. On the Termination Date, Executive shall be deemed to have immediately ceased all of his positions with the Company, including any and all Board, officer, director or other positions Executive then holds with the Company.

3.1 **Termination by the Company for Cause**. The Company may terminate Executive's employment, with cause, effective immediately, by providing written notice to Executive. For purposes of this Agreement, the term "for cause" shall mean the following: (a) Executive's commission of fraud in connection with his employment with the Company, or theft, misappropriation or embezzlement of Company funds; (b) conviction of any felony crime, the effect of which shall be deemed to adversely affect the Company; (c) failure to follow a reasonable and lawful directive of the Board or an authorized Company officer or director following five business days' notice that such failure shall constitute grounds for termination for cause and twenty days in which to cure such failure; or (d) drug or alcohol abuse that adversely affects the performance of duties hereunder, provided that Executive has been given 30 days' prior written notice by the Company of its intent to terminate Executive pursuant to this provision, during which time Executive has not demonstrated cessation of such drug or alcohol abuse.

3.2 **Termination by the Company Without Cause.** The Company may terminate Executive's employment without cause by providing written notice to the Executive, provided, however, in the event employment is terminated without cause, the Company shall be obligated to pay Executive's salary and continue existing benefits for the balance of the Term.

3.3 **Termination by Executive**. Executive may terminate Executive's employment by providing sixty (60) days written notice to the Company; provided, however, the Company, in its sole discretion, may choose to accept Executive's resignation effective immediately, provided that in this event Company will continue to pay Executive for the balance of the notice period. If the Company is sold or changes ownership, the stipulation requiring the Executive to provide sixty (60) days written notice to

the Company will be considered void.

4. **Successors and Assigns**. This Agreement is personal to Executive and, without the prior express written consent of the Company, shall not be assignable by Executive. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs, beneficiaries and/or legal representatives. This Agreement shall be fully assignable by the Company and its respective successors, purchasers and assigns.

5. **Restrictive Covenants**. As an inducement and as essential consideration for the Company to enter into this Agreement with Executive, Executive hereby agrees to the restrictive covenants contained in this Section 5. The Parties agree that the Company would not have entered into this Agreement without Executive's consent to the restrictive covenants set forth in this Section 5.

5.1 **Non-Competition**. During the period commencing 30 days after the Effective Date and ending on the one (1) year anniversary of the Termination Date, Executive shall not, without the advance written consent of the Company, such consent to be granted or withheld in the Company's sole discretion, either directly or indirectly, anywhere within the geographic boundaries of the State of California as a proprietor, partner, stockholder (except as the holder of not more than one percent (1%) of the outstanding stock of a publicly held company), owner, member, director, employee, executive, consultant, independent contractor, joint venturer, investor or in any other capacity, become employed by, engage in, affiliate with, own, manage, operate or control, or participate in the ownership, management, operation or control of, any entity that engages in any business activity conducted by the Company.

5.2 **Non-Solicitation**. During the period commencing on the Effective Date and ending on the one (1) year anniversary of the Termination Date, Executive shall not (except on behalf of the Company):

5.2.1 directly or indirectly, on Executive's own behalf or on behalf of any Person (as defined below), solicit, divert, induce, call on, take away, do business with or otherwise harm the Company's relationship with, or attempt to contact, divert, induce, call on, take away, do business with or otherwise harm the Company's relationship with, (a) any past or present client, customer or business relation of the Company, or (b) any Person which has, as of the Termination Date, a business relationship with the Company, including, without limitation, a sales representative, supplier, lender, borrower, guarantor, landlord, tenant, lessor or lessee, and employees; or

5.2.2 directly or indirectly, on Executive's own behalf or on behalf of any other Person, solicit, employ, interfere with or attempt to entice away from the Company, any individual who is: employed by the Company at the time of such solicitation, employment, interference or enticement.

5.2.3 "Person" means any individual or corporation, association, partnership, limited liability company, joint venture, joint stock or other company, business trust, trust, organization, governmental authority or other entity of any kind.

5.3 **Confidentiality**. Executive shall not, during the Term of Employment and at any time thereafter, without the prior express written consent of the Company, directly or indirectly divulge, disclose or make available or accessible any Confidential Information (as defined below) to any Person, firm, partnership, corporation, trust or any other entity or third party (other than when required to do so in good faith to perform Executive's duties and responsibilities or when required to do so by a lawful order of a court of competent jurisdiction, any governmental authority or agency or any recognized subpoena power). In addition, Executive shall not create any derivative work or other product based on or resulting from any Confidential Information (except in the good faith performance of Executive's duties under this Agreement). Executive shall also proffer to the Company's designee, no later than the effective date of any termination of Executive's employment with the Company for any reason, and without retaining any copies, notes or excerpts thereof, all memoranda, computer disks or other media, computer programs, diaries, notes, records, data, customer, or client lists, marketing plans and strategies and any other documents consisting of Confidential Information that are in Executive's actual possession or which are subject to Executive's control at such time. For purposes of this Agreement, "Confidential Information" shall mean all information respecting the business and activities of the Company, including, without limitation, the terms and provisions of this Agreement, any information relating to the clients, customers, suppliers, employees, consultants, computer or other files, projects, products, computer disks or other media, computer hardware or computer software programs, marketing plans, financial information, methodologies, know-how, processes, practices, approaches, projections, forecasts, formats, systems, data gathering methods, trade secrets and/or strategies of the Company. Notwithstanding the immediately preceding sentence, Confidential Information shall not include any information that is, or becomes, generally available to the public (unless such availability occurs as a result of Executive's breach of any portion of this Section 5.3).

5.3.1 **Defend Trade Secrets Act Notice**. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

5.3.2 **Confidentiality Notice**. Executive understands and acknowledges that Executive's duty of confidentiality, non-disclosure and non-disparagement (as set forth below) pursuant to this Agreement does not limit or restrict Executive's ability to communicate directly with the U.S. Securities and Exchange Commission about a possible securities law violation, nor limit nor restrict Executive's Section 7 rights under the National Labor Relations Act, nor limit nor restrict Executive's right to communicate with the Equal Opportunity Employment Commission or any other federal, state, or local government agency, office, or official.

5.3.3 **Non-Disparagement**. During and after the Term of Employment, the parties agree not to criticize, denigrate or otherwise disparage each other or any of the other parties' employees, products, processes, policies, practices, or standards of business conduct; provided, however, nothing in this Agreement will prohibit Executive from complying with any valid subpoena or court order or from exercising any legal rights to which Executive is entitled.

5.4 **Ownership of Inventions**. Each Invention (as defined below) made, conceived or first actually reduced to practice by Executive, whether alone or jointly with others, during the Term of Employment and each Invention made, conceived or first actually reduced to practice by Executive, within two (2) years after the Termination Date, which relates in any way to work performed for the Company during the Term of Employment, shall be promptly disclosed in writing to the Company. As used in this Agreement, "Invention" means any invention, discovery, improvement or innovation with regard to any facet of the business of the Company, whether or not patentable, made, conceived or first actually reduced to practice by Executive, alone or jointly with others, in the course of, in connection with, or as a result of service as an employee of the Company, including any art, method, process, machine, manufacture, design or composition of matter or any improvement thereof. Each Invention shall be the sole and exclusive property of the Company. Executive agrees to execute an assignment to the Company or its nominee of Executive's entire right, title and interest in and to any Invention, without compensation beyond that provided in this Agreement.

5.5 **Works for Hire**. Executive also acknowledges and agrees that all works of authorship, in any format or medium, created wholly or in part by Executive, whether alone or jointly with others, in the course of performing Executive's duties for the Company, or while using the facilities or money of the Company, whether or not during Executive's work hours, are works made for hire ("Works"), as defined under United States copyright law, and that the Works (and all copyrights arising in the Works) are owned exclusively by the Company. To the extent any such Works are not deemed to be works made for hire, Executive agrees, without compensation beyond that provided in this Agreement, to execute an assignment to the Company or its nominee of all right, title and interest in and to such Works, including all rights of copyright arising in or related to such Works.

5.6 **Injunctive Relief**. Executive acknowledges and agrees that the Company will have no adequate remedy at law and would be irreparably harmed, if Executive actually breaches or threatens to breach any of the provisions of this Section 5. Executive agrees that the Company shall be entitled to equitable and/or injunctive relief to prevent any actual breach or threatened breach of this Section 5, and to specific performance of each of the terms of such Section in addition to any other legal or equitable remedies that the Company may have pursuant to this Section 5. In the event of breach or threatened breach by Executive of any provision of this Section 5, the Company shall also be entitled to recovery of all attorneys' fees and costs incurred by the Company in obtaining such relief.

5.7 **Special Severability**. The terms of Section 5.1 through Section 5.6 are intended to be separate and divisible provisions and if, for any reason, any one or more of them is held to be invalid or unenforceable, neither the validity nor the enforceability of any other provision of this Agreement shall thereby be affected. It is the intention of the parties to this Agreement that the potential restrictions on Executive's future employment imposed by this Section 5 be reasonable in both duration and geographic scope and in all other respects. If for any reason any court of competent jurisdiction shall find any provisions of this Section 5 unreasonable in duration or geographic scope or otherwise, the restrictions and prohibitions contained herein that have not become null, void and of no effect shall be effective to the fullest extent allowed under applicable law in such jurisdiction and the court shall modify any unduly restrictive provision to the point of greatest restriction permissible by law.

6. **Miscellaneous**.

6.1 **Applicable Law**. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, applied without reference to principles of conflict of laws.

6.2 **Amendments**. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

6.3 **Notices**. All notices and other communications hereunder shall be in writing and shall be given by hand-delivery to the other party by reputable overnight courier, by facsimile or registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

if to the Company:	Direct Digital Holdings, LLC 1233 West Loop South Suite 1170 Houston, TX 77027
with a copy, which shall not constitute notice, to:	McGuireWoods LLP Attn: Stuart M. Rasley 2000 McKinney Ave,, Suite 1400 Dallas, TX 75201
if to Executive:	Anu Pillai 758 Division Street Barrington, IL 60010

or to such other address as any party shall have furnished to the other in writing in accordance herewith. All such notices shall be deemed to have been duly given: (a) when delivered personally to the recipient; (b) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid); (c) upon transmission by facsimile if a customary confirmation of transmission is received during normal business hours and, if not, the next business day after transmission; or (d) four (4) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid.

6.4 **Section 409A Compliance**. This Agreement is intended to comply with Section 409A (to the extent applicable), and the parties hereto agree to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply therewith and without resulting in any increase in the amounts owed hereunder by the Company. Notwithstanding anything herein to the contrary, the Company shall have no liability to Executive or to any other Person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant.

6.5 **Severability**. Except as set forth in Section 5.7, the invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

6.6 **Captions**. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

6.7 **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

6.8 **Entire Agreement**. This Agreement contains the entire agreement between the parties, including their respective affiliates, concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the parties with respect thereto.

6.9 **Survivorship**. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement hereunder for any reason to the extent necessary to the intended provision of such rights and the intended performance of such obligations.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

COMPANY:

Direct Digital Holdings, LLC

By: /s/ Mark D. Walker
Name: Mark D. Walker
Title: CEO

EXECUTIVE:

/s/ Anu Pillai
Anu Pillai

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Direct Digital Holdings, Inc. on Form S-1, of our report dated September 9, 2021 with respect to our audit of the financial statements of Direct Digital Holdings, Inc., as of August 26, 2021 and our report dated September 9, 2021 with respect to our audit of the consolidated financial statements of Direct Digital Holdings, LLC as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, which reports appear in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

/s/ Marcum LLP

Marcum LLP
Houston, Texas
November 12, 2021

Exhibit 23.3

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Direct Digital Holdings, Inc.
Houston, Texas

We hereby consent to the incorporation by reference in this Registration Statement on Form S-1 of Direct Digital Holdings, Inc. of our report dated April 1, 2020, relating to our audit of the financial statements of Orange142, LLC as of December 31, 2019 and 2018, and for the years then ended, which appears in this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in this Registration Statement.

/s/ Baker Tilly US, LLP

Baker Tilly US, LLP
Plano, TX

November 12, 2021