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UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF KENTUCKY

AT BOWLING GREEN

CITY OF FORT LAUDERDALE GENERAL EMPLOYEES' RETIREMENT SYSTEM, on Behalf of Itself and All Others Similarly Situated, Plaintiff, vs. HOLLEY INC., f/k/a EMPOWER LTD., TOM TOMLINSON, and DOMINIC BARDOS, Defendants.	Civil Action No. 1:23-cv-148-GNS <u>CLASS ACTION</u> COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS <u>DEMAND FOR JURY TRIAL</u>

Plaintiff City of Fort Lauderdale General Employees' Retirement System ("plaintiff"), by and through plaintiff's undersigned attorneys, on behalf of itself and all others similarly situated, alleges the following based upon personal knowledge as to plaintiff and plaintiff's own acts and upon information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through plaintiff's attorneys, which included, among other things, a review of defendants' public documents, conference calls, announcements, and U.S. Securities and Exchange Commission ("SEC") filings; wire and press releases published by and regarding Holley Inc. ("Holley" or the "Company"), f/k/a Empower Ltd. ("Empower"); analysts' reports and advisories about the Company; and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired Holley securities between July 21, 2021 and February 6, 2023, inclusive (the "Class Period"), seeking to pursue remedies and recover damages caused by defendants' violations of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder, 17 C.F.R. §240.10b-5.

2. Empower previously operated as a blank check company, also referred to as a special purpose acquisition company ("SPAC"). A SPAC is a development stage company formed for the purpose of entering into a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization, or other similar business transaction with one or more operating businesses or entities. Empower raised $250 million in its initial public offering of common stock and warrants in October 2020, and was listed on the New York Stock Exchange ("NYSE") under the ticker symbols "EMPW," "EMPW-UN," and "EMPW-WT."

3. On July 16, 2021, Empower completed a business combination with Holley Intermediate Holdings, Inc., a privately held company (the "Business Combination"). As a result of the Business Combination, among other things, the combined company became named "Holley Inc." and beginning on July 19, 2021, its common stock and warrants traded on the NYSE under the new ticker symbols "HLLY" and "HLLY WS," respectively.

4. Holley designs, manufactures, and distributes performance automotive products to customers primarily in the United States, Canada, and Europe. The Company's line of automotive products includes numerous items such as carburetors, fuel injection systems, exhaust products, transmission products, and automotive software products. The Company's products are designed to enhance street, off-road, recreational, and competitive vehicle performance through increased horsepower, torque, and drivability. Holley conducts operations through its various wholly owned subsidiaries, including Holley Performance Products Inc., Hot Rod Brands, Inc., Simpson Safety Solutions, Inc., B&M Racing and Performance Products, Inc., and Speedshop.com, Inc.

5. At the time of the Business Combination, Holley was described as the "largest and fastest growing platform in the enthusiast branded performance automotive aftermarket category." Following the Business Combination, Holley planned to continue investing in the Company's growth initiatives by: (i) accelerating its penetration across categories and platforms; (ii) supporting strategic mergers and acquisitions ("M&A") activity; and (iii) focusing on growing its direct-to-consumer ("DTC") business.

6. Throughout the Class Period, as detailed below, defendants made materially false and misleading statements and omitted material information regarding the Company's business, operations, and prospects. Specifically, defendants touted to investors that Holley was well-prepared to weather an economic downturn thanks to sticky demand from car and truck enthusiasts as well as

the Company's seemingly successful growth through M&A strategy, which had purportedly resulted in successful integrations and significant cost synergies. Defendants also touted the Company's transition to and increasing DTC sales that did not require Holley to sell through its network of resellers, which would lead to organic sales growth at high profit margins. In reality, however, Holley failed to successfully integrate its acquisitions or achieve cost synergies, and by focusing on expanding its DTC sales, Holley was severely damaging its critical relationships with resellers. Holley's sales and profitability suffered as a result.

7. The truth regarding Holley's sputtering business was revealed through a series of three disclosures. First, after the market closed on July 28, 2022, the Company announced its preliminary results for its second quarter ended July 3, 2022 ("2Q22"). Not only did the preliminary results badly miss expectations, but the Company also slashed its full year 2022 outlook. The Company stated that sales for 2Q22 dropped 7% to $179.4 million and that adjusted profits plunged by 31% to $37.2 million. Holley revealed its 2022 sales would drop approximately 8.4% from its previous guidance to a range of $700 million to $725 million, and that adjusted earnings were being slashed 26% from prior guidance to a range of $135 million to $145 million.

8. In response, the price of Holley stock dropped ***37%***, or $4.68 per share, from a close of $12.67 per share on July 28, 2022, to a close of $7.99 per share on July 29, 2022, on unusually high trading volume. On the next trading day, August 1, 2022, the price of Holley stock fell an additional 16.5%, or $1.32 per share, to close at $6.67 per share.

9. On August 11, 2022, the Company announced its Chief Financial Officer ("CFO"), Dominic Bardos ("Bardos"), had resigned effective September 30, 2022 to "pursue another opportunity and for personal reasons." Holley announced that Stephen Trussell ("Trussell"), the

Company's then Vice President of Finance, would serve as interim CFO while the Company searched for a permanent replacement.

10. Second, on November 14, 2022, the Company announced disappointing financial results for the third quarter ended October 2, 2022 ("3Q22"). The Company reported a 3% decline in net sales, a 25.8% decrease in gross profit, and a more than 50% decline in adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") compared to the third quarter of 2021 ("3Q21"). The Company also once again cut its forecasts for 2022, lowering net sales to a range of $695 million to $710 million and dropping adjusted earnings to a range of $118 million to $124 million, well below the 2022 numbers provided on July 28, 2022.

11. In response, the price of Holley stock fell 6.85%, falling from a close of $3.21 per share on November 11, 2022 (the prior trading day), to a close of $2.99 on November 14, 2022.

12. Third, on February 6, 2023, Holley announced that Chief Executive Officer ("CEO") and President Tom Tomlinson ("Tomlinson") was retiring, effective immediately, and also resigning from the Company's Board of Directors (the "Board"), and that the Board appointed Director Michelle Gloeckler ("Gloeckler") as Interim President and CEO while the Company conducted a "comprehensive search process to identify a permanent CEO." The Company stated its search would be conducted with the help of Heidrick & Struggles, a company "retained by the Board in September 2022 for a comprehensive review of succession planning."

13. Also on February 6, 2023, the Company announced its preliminary fourth quarter 2022 ("4Q22") and full year 2022 financial results, revealing 4Q22 sales that fell short of market estimates as well as adjusted EBITDA that new Holley CFO Jesse Weaver ("Weaver") called "'disappointing.'"

14. On this news, the price of Holley stock fell ***31%***, or $1.06 per share, to close at $2.36 per share on February 7, 2023, on unusually high trading volume. The following day, February 8, 2023, the price of Holley stock fell an additional 9.75%, or $0.23 per share, to close at $2.13 per share, down approximately ***85%*** from the Class Period peak of $14.52 per share on March 16, 2022.

15. As a result of defendants' wrongful acts and omissions, and the subsequent declines in the market value of Holley securities, plaintiff and other members of the Class (defined below) suffered losses and damages.

JURISDICTION AND VENUE

16. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder.

17. This Court has jurisdiction over the subject matter of this action pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §§1331 and 1337.

18. Venue is proper in this District pursuant to §27 of the Exchange Act, 15 U.S.C. §78aa, and 28 U.S.C. §1391(b). Many of the acts and transactions that constitute the alleged violations of law, including the dissemination to the public of untrue statements of material fact, occurred in this District. The Company's headquarters are located in this District at 1801 Russellville Road, Bowling Green, Warren County, Kentucky 42101.

19. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

20. Plaintiff purchased Holley stock as described in the attached certification, which is incorporated herein by reference, and suffered damages as a result of the conduct alleged herein. Plaintiff's offices are located in Broward County, Florida.

21. Defendant Holley is incorporated in Delaware and has its headquarters in this District. Shares of Holley stock trade on the NYSE under the ticker symbol "HLLY," and Holley warrants trade on the NYSE under the ticker symbol "HLLY WS."

22. Defendant Tom Tomlinson was the Company's President and CEO from July 2021 until February 6, 2023, and was a member of the Board from July 2021 until February 6, 2023. Prior to the Business Combination, Tomlinson was President and CEO of Holley Intermediate, positions he held since December 2009. Prior to becoming President and CEO of Holley Intermediate, Tomlinson was Holley Intermediate's CFO from March 2003 until December 2009. Tomlinson previously held a variety of accounting positions with PricewaterhouseCoopers LLP, and Tomlinson holds a bachelor's degree in accounting and finance from Liberty University. Tomlinson is a resident of Warren County, Kentucky.

23. Defendant Dominic Bardos was the Company's CFO from July 2021 until September 30, 2022, when he resigned "to pursue another opportunity and for personal reasons." Prior to the Business Combination, Bardos was the CFO of Holley Intermediate. Prior to working at Holley Intermediate, Bardos was the Vice President of Finance for Tractor Supply Company from 2018 to 2021, and was the CFO for Cambridge Franchise Holdings from 2017 to 2018. Bardos has an MBA in finance and a bachelor's degree in management from the University of Memphis. Bardos is a resident of Shelby County, Tennessee.

24. Defendants Tomlinson and Bardos are collectively referred to as the "Individual Defendants." The Individual Defendants, together with Holley, are collectively "defendants."

25. Each of the Individual Defendants acted and/or made the statements detailed herein in his capacity as an officer and/or director of Holley. Each of the Individual Defendants was directly involved in the management and day-to-day operations of the Company at the highest levels and was

privy to confidential proprietary information concerning the Company and its business, operations, services, and present and future business prospects. In addition, the Individual Defendants were involved in drafting, producing, reviewing, and/or disseminating the false and misleading statements and information alleged herein, were aware of, or recklessly disregarded, the false and misleading statements being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

26. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to, and did, control the content of the various SEC filings, press releases, and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading before or shortly after their issuance, participated in conference calls with investors during which false and misleading statements were made, and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each Individual Defendant is responsible for the accuracy of the public statements detailed herein and is, therefore, primarily liable for the representations contained therein.

BACKGROUND

27. Founded in 1903, Holley has been a part of the automotive industry for well over a century. Holley Intermediate was incorporated in Delaware on September 12, 2018, as the holding company of the various operating entities that then comprised the Holley business. Holley is a designer, marketer, and manufacturer of high performance automotive aftermarket products serving car and truck enthusiasts. Holley's products span a number of automotive platforms and are sold across multiple channels. Holley attributes a major component of its success to its brands, including "Holley," "APR," "MSD," and "Flowmaster," among others.

28. Leading up to and during the Class Period, Holley added to its brand lineup through a series of acquisitions, including its 2020 acquisitions of Simpson Race Products, Inc. ("Simpson") for $117.4 million, Drake Automotive Group, LLC ("Drake") for $49.1 million, and Detroit Speed, Inc. ("Detroit Speed") for $11.3 million, and its 2021 acquisition of AEM Performance Electronics ("AEM") for $51.5 million. Through these acquisitions, Holley increased its market position in the otherwise highly fragmented performance automotive aftermarket industry.

29. Holley historically sold the vast majority of its products through resellers who purchased products from Holley and then resold them through various channels to end users. The Company's resellers consist of performance e-tailers, warehouse distributors, traditional retailers, and jobber/installers with: (i) performance e-tailers and warehouse distributors accounting for 63% of Holley's sales in 2020 and 59% in 2021; (ii) Holley's top ten resellers accounting for 48% of its sales in 2020 and 42% in 2021, with its largest reseller making up 22% of Holley's sales in 2020 and 19% in 2021; and (iii) all top ten accounts growing from 2019 to 2020 at an overall combined compound annual growth rate ("CAGR") of 37%. The Company told investors that it had "established mutually beneficial and long-term relationships with [its] resellers" that allowed Holley to operate with "pricing discipline" that supported the value of Holley's products in the market and supported Holley's profit margins. Holley stated that its resellers benefitted from the Company's "broad suite of product offerings" that could be used to "meet consumer demand across multiple product categories."

30. Pursuant to the Business Combination, Holley became a publicly traded company. On July 16, 2021, Holley issued a release announcing closing of the Business Combination with Empower. The release stated, in part:

> Holley Inc. ("Holley" or the "Company"), the largest and fastest growing platform in the enthusiast branded performance automotive aftermarket category, today

announced the closing of its previously announced business combination with Empower Ltd. ("Empower"), a publicly traded special purpose acquisition company formed by MidOcean Partners. The business combination was approved by Empower's stockholders on July 14, 2021. Holley is a portfolio company of Sentinel Capital Partners, who will continue to have a significant stake in the Company. Beginning July 19, 2021, Holley's shares will trade on the New York Stock Exchange under the ticker symbol "HLLY."

Holley's President and Chief Executive Officer, Tom Tomlinson, and the current management team will continue to lead the Company. Matthew Rubel, Chief Executive Officer and Executive Chairman of the Board of Directors of Empower, will serve as Chairman of the Board of Directors at Holley.

Holley plans to continue investing in the Company's growth initiatives by accelerating its penetration across categories and platforms; supporting strategic M&A activity; and further expanding its unique event based experiential and digital marketing efforts.

Tom Tomlinson, Holley CEO, stated "This is an exciting day for our Company and marks an important milestone in our history. We are enthusiasts and we built this business for our enthusiast customers. As we look to the future, we will remain relentlessly focused on our performance automotive enthusiast community, innovative and exciting new product, and accretive M&A."

DEFENDANTS' MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS DURING THE CLASS PERIOD

31. The Class Period begins on July 21, 2021, when the Company filed with the SEC a Form 8-K providing details regarding the various transactions that were part of the Business Combination. The Form 8-K incorporated by reference numerous parts of the Company's Proxy Statement/Prospectus issued in connection with the Business Combination and filed with the SEC on Form S-4 on April 8, 2021, as amended. The Proxy Statement/Prospectus stated that Holley would drive growth and value for shareholders through several key strategies, including ongoing M&A and expansion of Holley's DTC sales:

- **Accelerate Growth Through Continued M&A:** We maintain a robust M&A pipeline and we believe that our scalable business platform, relationships with our distribution and channel partners, strong loyalty with our growing consumer base, experienced management team and board of directors, and strong cash generation

> **position us to continue to acquire and integrate value-enhancing acquisitions**. . . .
>
> - **Expand DTC Sales and Further Engage with Our Consumers:** ***We are highly focused on deepening our engagement with our enthusiast consumers and selling them products through our fast growing online platform***. We have multiple touch points in our consumer ecosystem, ranging from social media to our website, to our many in-person enthusiast events.

32. Discussing the Company's growth prospects, the Proxy Statement/Prospectus stated that "Holley has multiple areas of potential growth, including but not limited to, acquisitions [and] enhancing Holley's Direct-to-Consumer business." The Proxy Statement/Prospectus also included Holley's management's discussion and analysis of financial condition and results of operations, which stated, in part:

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

33. On July 28, 2021, the Company filed with the SEC a prospectus relating to the offer and sale from time to time by the "selling securityholders": (i) up to 109,257,218 shares of Holley common stock; and (ii) up to 6,333,334 warrants to purchase Holley common stock (the "July 2021 Prospectus"). The selling securityholders included Holley Parent Holdings, LLC, Empower Sponsor Holdings LLC, and numerous other entities and individuals who held large amounts of Holley securities as a result of the Business Combination. Discussing the Company's M&A activity, the July 2021 Prospectus stated:

> ***We maintain a highly disciplined and focused approach to M&A and have experience sourcing, executing and integrating value-enhancing acquisitions in a highly fragmented market***. From 2014 to the end of 2020, we completed eight accretive acquisitions that have contributed meaningful sales and earnings growth,

> added new product categories and brands and have increased our market position in the otherwise highly fragmented performance automotive aftermarket industry. ***We believe our highly scalable operational platform enables us to efficiently and effectively integrate acquired businesses into our operations and realize cost savings opportunities as well as revenue and distribution increases***.
>
> ***We have historically used strategic acquisitions to*** (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) ***increase DTC scale and connection***, (iv) expand share in current product categories and (v) ***realize value-enhancing revenue and cost synergies. We believe our track record of recent acquisitions is indicative of our ability to make both transformational acquisitions***, such as the acquisitions of MSD in 2015 and Driven Performance Brands in 2018, as well as strategic bolt-ons such as the recent acquisitions of Drake, Simpson and Detroit Speed in 2020 and AEM in 2021.

34. The July 2021 Prospectus also touted the Company's apparent success through its "growing DTC channel," stating, in part:

> ***We have a diverse omni-channel distribution strategy led by our growing DTC channel. Our omni-channel model enables us to reach our consumers through the DTC, Performance E-tailer, Traditional Retailer, and Performance Jobber channels. We have mutually beneficial relationships with our resellers and are able to maintain strong pricing discipline across our channels with strict conformance to minimum advertised pricing***.
>
> ***Consumers are increasingly meeting us online through our DTC channel***, which, on a pro forma basis after giving effect to our acquisitions of Simpson, Drake and Detroit Speed, as if each had occurred on January 1, 2020, grew at a CAGR of 43% between 2014 and the end of 2020. Our DTC channel provides consumers full access to all of our brands, our unique branded content and our full product assortment. We have turned Holley.com into our primary hub for consumer communication and continue to add features and brands that make it an increasingly attractive digital destination for our consumers. ***Our DTC channel enables us to directly interact with our customers, more effectively control our brand experience, better understand consumer behavior and preferences, and offer exclusive products, content, and customization capabilities. We believe our control over our DTC channel provides our customers with quality brand engagement and further builds customer loyalty, while generating attractive margins***.

35. The July 2021 Prospectus also stated the Company would accelerate its growth through M&A and highlighted both the scalability of Holley's business as well as its ability to successfully integrate the companies it acquired, stating:

> ***We maintain a robust M&A pipeline and we believe that our scalable business platform, relationships with our distribution and channel partners***, strong loyalty of our growing consumer base, experienced management team and board of directors, and strong cash generation ***position us to continue to acquire and integrate value- enhancing acquisitions***. Our strong existing platform in the enthusiast performance automotive aftermarket creates a large and highly fragmented addressable market with a broad set of potential acquisition targets. ***We believe our scale, management team and board's experience with integration, together with access to capital, will allow us pursue both small and large future acquisitions and create value through integration***.

36. Further describing the Company's engagement with consumers and the Company's use of DTC sales, the July 2021 Prospectus stated:

> ***DTC represents our fastest-growing sales channel, with annual gross sales increasing from $10 million in 2014 to $84 million in 2020 on a pro forma basis after giving effect to our acquisitions of Simpson, Drake and Detroit Speed as if each had occurred on January 1, 2020, representing a 43% CAGR. We intend to continue to drive direct sales to our enthusiast consumers primarily through our Holley.com website, our primary hub for consumer engagement***. Engagement on our website has increased meaningfully, with 17.6 million web sessions during the first ten months of 2020, up 45% from 2019 and 85% from 2017. We recently launched a new content marketing initiative called MotorLife within Holley.com. MotorLife is a digital publication and since its launch, we have seen an improvement in web traffic as well as improvement in crucial search rankings for high priority keywords. ***As our online presence expands, we will continue to focus on increasingly building personalized experiences for our consumers, which will both deepen our consumer engagement and drive additional sales***.

37. The July 2021 Prospectus also added the following about Holley's resellers:

> ***We have historically sold the majority of our products through resellers who purchase our products and resell them through various channels. These resellers consist of performance e-tailers, warehouse distributors, traditional retailers, and jobber/installers with (i) performance e-tailers and warehouse distributors accounting for 63% of our sales in 2020, (ii) our top ten resellers accounting for 48% of our sales in 2020, with our largest reseller making up 22% of our sales in 2020, and (iii) all top ten accounts growing from 2019 to 2020 at an overall combined CAGR of 37%***.
>
> ***We have established mutually beneficial and long-term relationships with our resellers. We believe resellers benefit from our broad suite of product offerings that they can leverage to meet consumer demand across multiple product categories. Based on the value that we offer to our resellers, we are able to operating with pricing discipline that supports the value of our products in the marketplace and buttresses our profit margins***. We believe our approach to pricing

> allows us to better understand consumer demand and identify what our end consumers are buying.

38. On August 11, 2021, the Company announced its results for the second quarter ended June 27, 2021 ("2Q21"), which touted "***[s]trong organic growth and execution against strategic initiatives [to] drive performance***." Regarding the Company's 2Q21 "Highlights," the release stated:

> - Net Sales increased 54% to $193.0 million compared to $125.3 million in 2020
> - Gross Profit increased 48% to $81.2 million compared to $54.8 million last year
> - Operating Income increased 52% to $40.1 million compared to $26.3 million in 2020
> - Net Income increased 85% to $23.1 million from $12.5 million last year
> - Adjusted EBITDA increased 49% to $54.1 million compared to $36.4 million in 2020
> - Acquired AEM Performance Electronics ("AEM") adding to Holley's electronics offering
> - ***Continued execution on direct-to-consumer channel growth strategy***

(Footnote omitted.)

39. The 2Q21 earnings release included the following statement from Tomlinson commenting on the Company's 2Q21 results and outlook:

> "***Consumer demand for our products was strong in the second quarter and we continued to see excellent growth in our direct-to-consumer channel. Our team performed well, captured significant additional demand in the quarter, and delivered great overall results***."

40. On August 12, 2021, the Company filed with the SEC a Form 8-K/A to amend the July 21, 2021 Form 8-K. Regarding the Company's use of acquisitions and DTC, the Form 8-K/A stated:

> ***In addition, we have historically used strategic acquisitions to*** (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) ***increase direct-to-consumer ("DTC") scale and connection***, (iv) expand share in current product categories and (v) ***realize value-enhancing revenue and cost synergies***. ***While we believe our business is positioned for continued organic growth, we intend to continue evaluating opportunities for strategic acquisitions that would complement our current business and expand our addressable target market***. Between 2014 and the end of 2020 we completed eight acquisitions, which, in total, have generated $35 million of cost saving synergies through reductions in product cost, elimination of headcount, facility costs and other SG&A expenses.

41. On October 18, 2021, Holley filed with the SEC the Company's October 2021 "Lender Presentation," which described Holley as "the largest and fastest growing platform in the performance enthusiast automotive aftermarket space reaching consumers with the most iconic brands, continuous product innovation and ***a powerful distribution network***." The Lender Presentation boasted that Holley's "***DTC strategy is core to what we do***" and added:

- ***The Company reaches 50 million consumers through its omni-channel strategy which includes Performance Warehouse Distributors, Traditional Retailers, Performance E-tailers and Holley's high growth, high margin direct-to-consumer channel (43% channel CAGR from 2014 to PF 2020)***.

42. The Lender Presentation added that Holley was experiencing "[b]eneficial trends from COVID" that would "continue to drive interest in the [automotive] enthusiast lifestyle" and positive "[s]ecular aftermarket tailwinds" and "[c]onsecutive quarters of sales and adjusted EBITDA growth" that served to "highlight the ***resilient business model***." The Lender Presentation touted that the Company's use of "***DTC Allows Holley to Control its Own Destiny***" and that Holley's eCommerce business was growing "***2.5x faster than the market***."

43. On November 10, 2021, the Company issued a release announcing its financial results for the 3Q21 ended September 26, 2021, which also reiterated Holley's outlook and guidance for 2021. Detailing the Company's 3Q21 "Highlights," the release stated:

- Net Sales increased 19.8% to $159.7 million compared to $133.3 million in 2020
- Gross Profit increased 17.4% to $65.2 million compared to $55.5 million last year
- Net Loss of $(30.2) million, or $(0.28) per share, compared to Net Income of $13.5 million, or $0.20 per share, in third quarter 2020
- Adjusted Net Income of $13.5 million, flat to Net Income of $13.5 million reported last year
- Adjusted EBITDA rose to $35.5 million compared to $34.6 million in 2020
- Record attendance at three Holley consumer events in Bowling Green, Kentucky, including Holley LS Fest East, Holley MoParty, and The Holley Intergalactic Ford Festival

(Footnotes omitted.)

44. The 3Q21 release disclosed that some of the Company's expected 3Q21 sales had shifted into the next quarter and quoted Tomlinson blaming a "'cybersecurity incident,'" stating:

> "***We continued to see solid consumer demand during the third quarter***. Our team capitalized on this demand and delivered excellent results despite continued supply chain challenges and ***a cybersecurity incident that caused some sales to shift into our fourth quarter***. As expected, we are seeing a return to more normal seasonality in demand."

45. Providing more detail on the Company's 3Q21 financial results, the release stated, in relevant part:

> Net sales increased 19.8% to $159.7 million in the third quarter of 2021, up from $133.3 million in the third quarter of 2020. Non-comparable sales associated with acquisitions contributed $29.8 million, or 22.4%, of net sales growth in the quarter. ***Sales excluding the impact of acquisitions declined by $3.4 million (2.6% from the prior year quarter. We estimate that $7 million of sales was deferred from our***

> ***third quarter into the fourth quarter due to a cybersecurity incident near the end of the quarter***.

46. Also on November 10, 2021, the Company filed with the SEC its 3Q21 quarterly report on Form 10-Q ("3Q21 10-Q"), which reiterated the financial results from the 3Q21 earnings release and was signed by Bardos, and contained Sarbanes-Oxley Act of 2002 ("SOX") certifications signed by Tomlinson and Bardos attesting that the 3Q21 10-Q did not contain any untrue statements or omissions of material facts. Describing the Company's operations, the 3Q21 10-Q stated, in part:

> ***In addition, we have historically used strategic acquisitions to*** (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) ***increase direct-to-consumer ("DTC") scale and connection***, (iv) expand share in current product categories and (v) ***realize value-enhancing revenue and cost synergies***. ***While we believe our business is positioned for continued organic growth, we intend to continue evaluating opportunities for strategic acquisitions that would complement our current business and expand our addressable target market***. Between 2014 and 2020 we completed eight acquisitions, which, as of the end of 2020, generated a total of $35 million of cost saving synergies through reductions in product cost, elimination of headcount, facility costs and other SG&A expenses.

47. On February 23, 2022, the Company filed with the SEC a Rule 424(b)(3) prospectus for the offer and sale by "selling securityholders" of up to 106,117,871 shares of Holley common stock and up to 6,333,334 warrants to purchase common stock ("February 2022 Prospectus"). The February 2022 Prospectus also applied to the issuance by Holley of up to an aggregate of 6,333,334 shares of Holley common stock issuable upon exercise of the warrants being offered. The February 2022 Prospectus stated that Holley had a "***Proven Acquisition Platform***," and stated:

> ***We maintain a highly disciplined and focused approach to M&A and have experience sourcing, executing and integrating value-enhancing acquisitions in a highly fragmented market***. From 2014 to the end of 2021, we completed 16 accretive acquisitions that have contributed meaningful sales and earnings growth, added new product categories and brands and have increased our market position in the otherwise highly fragmented performance automotive aftermarket industry. ***We believe our highly scalable operational platform enables us to efficiently and effectively integrate acquired businesses into our operations and realize cost savings opportunities as well as revenue and distribution increases***.

> ***We have historically used strategic acquisitions to*** (i) expand our brand portfolio, (ii) enter new product categories and consumer segments, (iii) ***increase DTC scale and connection***, (iv) expand share in current product categories and (v) ***realize value-enhancing revenue and cost synergies. We believe our track record of recent acquisitions is indicative of our ability to make both transformational acquisitions***, such as the acquisitions of MSD in 2015 and Driven Performance Brands in 2018, as well as strategic bolt-ons such as the recent acquisitions of Drake, Simpson and Detroit Speed in 2020 and AEM, Finspeed, Classic Instruments, ADS, Baer, Brothers, Rocket, and Speartech in 2021.

48. Describing the Company's digital and DTC business, the February 2022 Prospectus stated, in relevant part:

> ***We have a diverse omni-channel distribution strategy led by our growing DTC channel***. ***Our omni-channel model enables us to reach our consumers through the DTC, Performance E-tailer, Traditional Retailer, and Performance Jobber channels. We have mutually beneficial relationships with our resellers and are able to maintain strong pricing discipline across our channels with strict conformance to minimum advertised pricing***.
>
> ***Consumers are increasingly meeting us online through our DTC channel, which, on a pro forma basis after giving effect to our acquisitions of Simpson, Drake and Detroit Speed, as if each had occurred on January 1, 2020, grew at a CAGR of 43% between 2014 and the end of 2020. Our DTC channel provides consumers full access to all of our brands, our unique branded content and our full product assortment***. We have turned Holley.com into our primary hub for consumer communication and continue to add features and brands that make it an increasingly attractive digital destination for our consumers. ***Our DTC channel enables us to directly interact with our customers, more effectively control our brand experience, better understand consumer behavior and preferences, and offer exclusive products, content, and customization capabilities. We believe our control over our DTC channel provides our customers with quality brand engagement and further builds customer loyalty, while generating attractive margins***.

49. Describing the Company's core growth strategies, the February 2022 Prospectus stated that the Company would accelerate its growth through M&A and expand its DTC sales, stating, in part:

> ***We maintain a robust M&A pipeline and we believe that our scalable business platform, relationships with our distribution and channel partners, strong loyalty of our growing consumer base, experienced management team and board of directors, and strong cash generation position us to continue to acquire and integrate value- enhancing acquisitions. Our strong existing platform in the enthusiast performance automotive aftermarket creates a large and highly***

> ***fragmented addressable market with a broad set of potential acquisition targets. We believe our scale, management team and board's experience with integration, together with access to capital, will allow us pursue both small and large future acquisitions and create value through integration***.
>
> * * *
>
> ***DTC represents our fastest-growing sales channel, with annual gross sales increasing from $10 million in 2014 to $84 million in 2020 on a pro forma basis after giving effect to our acquisitions of Simpson, Drake and Detroit Speed as if each had occurred on January 1, 2020, representing a 43% CAGR. We intend to continue to drive direct sales to our enthusiast consumers primarily through our Holley.com website, our primary hub for consumer engagement***. Engagement on our website has increased meaningfully, with 20.5 million web sessions during 2021, up 17% from 2020 and 74% from 2019. We recently launched a new content marketing initiative called MotorLife within Holley.com. MotorLife is a digital publication and since its launch, we have seen an improvement in web traffic as well as improvement in crucial search rankings for high priority keywords. ***As our online presence expands, we will continue to focus on increasingly building personalized experiences for our consumers, which will both deepen our consumer engagement and drive additional sales***.

50. On March 3, 2022, the Company issued a release announcing its financial results for the fourth quarter ("4Q21") and full year ended December 31, 2021, and also providing outlook and guidance for full year 2022. Detailing the 4Q21 "Highlights," the release stated:

> - Net Sales increased 29.9% to $179.8 million compared to $138.4 million in 2020
> - Gross Profit increased 37.0% to $74.7 million compared to $54.6 million last year
> - Net Loss of $(18.0) million, or $(0.16) per share, compared to Net Income of $2.0 million, or $0.03 per share, in fourth quarter 2020
> - Adjusted Net Income of $9.0 million, compared to Adjusted Net Income of $2.0 million reported last year
> - Adjusted EBITDA rose to $36.1 million compared to $30.4 million in 2020

(Footnotes omitted.)

51. The release touted that the Company's results were "***driven by robust sales growth and strong underlying consumer demand***," and included the following statement by Tomlinson:

> "Holley delivered very solid fourth quarter results, capping off what has been a milestone year for the Company . . . . ***Strong consumer demand for our products continues to drive growth across our various sales channels and we look forward to driving further consumer engagement as we enter 2022***."

52. For 2022, Holley provided the following guidance, representing significantly improved financial performance over 2021:

- Net Sales in the range of $765-$790 million
- Adjusted EBITDA of $186-$194 million
- Capital Expenditures in the range of $14-$16 million
- Depreciation and Amortization Expense of $24-$26 million
- Interest Expense in the range of $30-$32 million

53. On March 15, 2022, the Company filed with the SEC its annual report on Form 10-K for the year ended December 31, 2021 ("2021 10-K"), which was signed by Tomlinson and Bardos, among others, and included SOX certifications signed by Tomlinson and Bardos attesting that the 2021 10-K did not contain any untrue statements or omissions of material facts. The 2021 10-K described the Company's business strategy to drive growth and value for shareholders through several key strategies:

- **Accelerate Growth Through Continued M&A:** ***We maintain a robust M&A pipeline and we believe that our scalable business platform, relationships with our distribution and channel partners, strong loyalty with our growing consumer base, experienced management team and board of directors, and strong cash generation position us to continue to acquire and integrate value-enhancing acquisitions***. . . .

- **Expand Direct-to-Consumer ("DTC") Sales and Further Engage with Our Consumers:** ***We are highly focused on deepening our engagement with our enthusiast consumers and selling them products through our fast growing online platform***. We have multiple touch points in our consumer ecosystem, ranging from social media to our website, to our many in-person enthusiast events.

54. The 2021 10-K described several factors that purportedly distinguished Holley from its competitors, stating, in part:

- **Operational ability that enables efficient order execution:** ***we make significant investments in sourcing, manufacturing and distribution excellence, enabling management of multiple product lines while maintaining scale and attractive relative pricing***.

- **Differentiated go-to-market strategy:** ***we offer a mix of single product and platform-oriented solutions across DTC and reseller channels, delivering a strong overall consumer experience***.

55. The 2021 10-K also described the Company's sales and distribution strategy, and stated:

> ***We have a diverse omni-channel distribution strategy led by our growing DTC channel. Our omni-channel model enables us to reach our consumers through DTC, E-tailer, warehouse distributor, traditional retailer, and jobber/installer channels. We have mutually beneficial relationships with our resellers and are able to maintain strong pricing discipline across our channels with strict conformance to minimum advertised pricing***.
>
> ***DTC channel***: ***Consumers are increasingly meeting us online through our DTC channel. Our DTC channel provides consumers full access to all of our brands, our unique branded content and our full product assortment***. We have turned Holley.com into our primary hub for consumer communication and continue to add features and brands that make it an increasingly attractive digital destination for our consumers. ***Our DTC channel enables us to directly interact with our customers, more effectively control our brand experience, better understand consumer behavior and preferences, and offer exclusive products, content, and customization capabilities. We believe our control over our DTC channel provides our customers with quality brand engagement and further builds customer loyalty, while generating attractive margins***.
>
> ***Resellers***: ***We have historically sold the majority of our products through resellers who purchase our products and resell them through various channels. These resellers consist of E-tailers, warehouse distributors, traditional retailers, and jobber/installers with (i) E-tailers and warehouse distributors accounting for 59% of our sales in 2021, (ii) our top ten resellers accounting for 42% of our sales in 2021, with our largest reseller making up 19% of our sales in 2021, and (iii) the top ten accounts growing 14% from 2020 to 2021***.

> ***We have established mutually beneficial and long-term relationships with our resellers. We believe resellers benefit from our broad suite of product offerings that they can leverage to meet consumer demand across multiple product categories. Based on the value that we offer to our resellers, we are able to operate with pricing discipline that supports the value of our products in the marketplace and buttresses our profit margins. We believe our approach to pricing allows us to better understand consumer demand and identify what our end consumers are buying***.

56. On May 12, 2022, the Company issued a release announcing its financial results for the first quarter of 2022 ended April 3, 2022 ("1Q22"), and reaffirming the Company's 2022 outlook. The release provided the following 1Q22 "Highlights":

> - Net Sales increased 24.8% to $200.1 million compared to $160.3 million in 2021
> - Gross Profit increased 25.9% to $82.7 million compared to $65.7 million last year
> - Net Income of $16.9 million, or $0.15 per diluted share, compared to Net Loss of $(2.1) million, or $(0.03) per diluted share, in first quarter 2021
> - Adjusted Net Income of $21.5 million, compared to Adjusted Net Income of $15.1 million reported last year
> - Adjusted EBITDA rose to $46.0 million compared to $43.8 million in 2021

(Footnotes omitted.)

57. The 1Q22 earnings release quoted Tomlinson as stating:

> "Holley delivered solid first quarter results ***with strong growth in consumer demand for our products continuing into 2022*** . . . . While we are facing persistent supply chain disruptions and inflationary headwinds, ***we've kept our foot on the gas*** and continued to invest in the development of innovative new products that will be exciting to our enthusiast consumers."

58. The 1Q22 earnings release reaffirmed Holley's 2022 outlook, stating:

> - Net Sales in the range of $765-$790 million
> - Adjusted EBITDA of $186-$194 million

- Capital Expenditures in the range of $14-$16 million
- Depreciation and Amortization Expense of $24-$26 million
- Interest Expense in the range of $30-$32 million

59. The 1Q22 earnings release included the following comment by Bardos regarding the Company's performance and outlook:

> "***We are off to a strong start in fiscal 2022, delivering on our financial objectives in the first quarter, and are reaffirming our previously stated 2022 guidance*** . . . . While it is not our policy to provide quarterly guidance, I believe it is important to recognize that current economic conditions and supply chain headwinds may continue to impact margins in the near term. That said, ***we remain well positioned to drive long-term growth for our shareholders***."

60. Also on May 12, 2022, the Company filed with the SEC its quarterly report on Form 10-Q for the 1Q22 ("1Q22 10-Q"), which reiterated the financial results in the 1Q22 earnings release, was signed by Bardos, and included SOX certifications signed by Tomlinson and Bardos attesting that the 1Q22 10-Q did not contain any untrue statements or omissions of material facts. Providing an overview of the Company's business, the 1Q22 10-Q stated:

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

61. The statements referenced in ¶¶31-60 above were materially false and misleading, and omitted material information because:

(a) Defendants failed to disclose that as a result of the Company's extensive focus on its DTC channel, the Company's critically important relationships with its resellers and distributors, whose business made up the vast majority of the Company's revenue, were suffering significant damage;

(b) Holley used discounting and other similar efforts to grow its DTC channel, which undermined the pricing discipline Holley historically had with its resellers and distributors, and further damaged the Company's relationships with its resellers and distributors;

(c) As a result of Holley's strained relationships with its resellers and distributors, those reseller and distributors were decreasing their purchases of Holley products, returning products already purchased at significant levels that were far above historical norms, and increasing their purchases of competitors' products;

(d) Holley's growing DTC channel could not offset the negative financial impact of Holley's increasingly strained relationships with its resellers and distributors and, as a result, rather than keeping its foot on the gas, Holley was actually slamming the brakes on its critical reseller/distributor relationships;

(e) Holley had failed to successfully integrate and capture synergies from its numerous acquisitions, which left the Company with inefficient operations, excess costs, and inventory management problems;

(f) Holley was riding a wave of COVID-related stimulus money that temporarily boosted its sales and performance, and despite this unsustainable, temporary boost, Defendants misled investors to believe the growth was sustainable and the result of persistent demand, and supportive of positive financial guidance; and

(g) as a result of the foregoing, defendants' statements regarding the Company's outlook and expected financial performance were false and misleading at all relevant times.

THE TRUTH BEGINS TO EMERGE

62. After the market closed on July 28, 2022, the Company announced its preliminary results for its 2Q22. Not only did the preliminary results badly miss expectations, but the Company

also slashed its recently affirmed full year 2022 outlook. The Company revealed shockingly poor financial results, which included:

- Preliminary Net Sales of $179.4 million, down $13.6 million (7.1%) from second quarter 2021
- Preliminary Gross Profit of $75.3 million, down $5.9 million (7.3%) from second quarter 2021
- Preliminary Net Income of $40.6 million, up $17.5 million from the $23.1 million recorded in the second quarter of 2021
- Preliminary Adjusted EBITDA of $37.2 million, down $16.9 million (31.3%) from 2021

63. Holley also revealed its 2022 sales would drop approximately 8.4% from its previous guidance to a range of $700 million to $725 million, and that adjusted earnings were being slashed 26% from prior guidance to a range of $135 million to $145 million. The 2Q22 preliminary earnings release included the following statement from Tomlinson:

> "Second quarter sales fell short of expectations, driven by microchip shortages and other supply chain challenges that prevented us from building and shipping many of our most popular products . . . . ***Growth in DTC sales was more than offset by resellers that reduced their purchases below their out-the-door sales levels, indicating that some sell-down of reseller inventory also occurred in the quarter***. This is all against the backdrop of challenging economic conditions and softening consumer demand."

64. The 2Q22 preliminary release also included the following statement by Bardos:

> "Given our second quarter results and our latest view of supply chain conditions, which worsened during the quarter, we are revising our outlook for the full year 2022 . . . . Our most popular electronic products have driven significant growth in previous quarters, and we now expect the microchip shortages we experienced in the second quarter to persist throughout 2022. Our revised guidance also incorporates the reduction of certain expenses in the forecast period to bring them more in line with the expected sales volume levels."

65. In the 2Q22 preliminary release, Holley cut its full year 2022 outlook as follows:

	Revised Full Year 2022 Guidance Range	Previous Full Year 2022 Guidance Range
Net Sales	$700 - $725 million	$765 - $790 million
Adjusted EBITDA	$135 - $145 million	$186 - $194 million
Capital Expenditures	$14 - $16 million	$14 - $16 million
Depreciation and Amortization	$24 - 26 million	$24 - 26 million
Interest Expense	$33 - $35 million	$30 - $32 million

66. In response, the price of Holley stock dropped ***37%***, or $4.68 per share, from a close of $12.67 per share on July 28, 2022, to a close of $7.99 per share on July 29, 2022, on unusually high trading volume. The following trading day, August 1, 2022, the price of Holley stock fell an additional 16.5%, or $1.32 per share, to close at $6.67 per share.

67. On August 11, 2022, the Company announced that CFO Bardos had resigned effective September 30, 2022 to "pursue another opportunity and for personal reasons." Holley announced that Trussell, the Company's then Vice President of Finance, would serve as interim CFO while the Company searched for a permanent replacement.

68. Also on August 11, 2022, the Company issued a release announcing its final 2Q22 financial results, which reiterated the poor preliminary results announced on July 28, 2022. The 2Q22 earnings release included the following statement by Tomlinson:

> "Our financial results for the second quarter fell short of expectations primarily due to supply chain challenges including both (1) slower than expected production and movement of goods from global suppliers and (2) shortages in automotive-grade microchips that negatively impacted our ability to build and ship many or our most popular electronic products . . . . ***We also saw meaningful reseller de-stocking in the quarter as resellers reduced their purchases well below their out-***

> ***the-door sales of our products. These issues, against a backdrop of reduced discretionary consumer spending and the resultant softer demand we experienced in certain categories, caused us to reduce our outlook for the remainder of the year.*** We are slowing our spending in an effort to optimize our performance and stay ahead of what will likely be a challenging economic environment in the months ahead."

69. Providing more detail on the Company's poor financial results, the 2Q22 release added:

> Net sales decreased 7.1% to $179.4 million in the second quarter of 2022 compared to $193.0 million in the second quarter of 2021. Non-comparable sales associated with acquisitions contributed $9.4 million, or 4.8%, of year-over-year net sales growth in the second quarter. Sales excluding the impact of acquisitions decreased by $23.0 million, or 11.9%, more than offsetting the growth from the acquisitions. ***The decline in comparable sales was driven by reduced unit volumes, destocking from our resellers, and reduced consumer demand in certain categories including tuning.***

70. The 2Q22 release reiterated the lowered 2022 guidance previously announced by the Company and added the following statement by Bardos:

> "Our outlook for the full year 2022 is consistent with the previously communicated full year guidance issued on July 28, 2022, and reflects the current supply chain pressures, inventory, and demand trends we have seen in recent weeks . . . . ***We do not expect to fully resolve the supply chain and inventory issues that are impacting our sales in the near-term, and we have reduced our sales projections accordingly.***"

71. On November 14, 2022, the Company once again announced disappointing performance when it announced its financial results for the 3Q22. The Company reported a 3.1% decline in net sales, a 25.8% decrease in gross profit, and a more than 50% decline in adjusted EBITDA compared to the 3Q21. The Company also once again cut its forecasts for 2022, lowering net sales to a range of $695 million to $710 million and dropping adjusted earnings to a range of $118 million to $124 million, well below the 2022 numbers provided on July 28, 2022. The November 14, 2022 earnings release included the following statement by Tomlinson:

> "While we are encouraged by the sequential improvement we saw late in the quarter, earnings fell short of expectations. Supply chain constraints peaked in July

and then began to ease, allowing us to steadily produce and ship more product in August and September. Underlying demand remained solid, ***direct to consumer sales were up 11%***, and enthusiast engagement accelerated at our Holley-owned events. ***Channel inventories continued their decline in July and August, before partially recovering on the back of stronger shipments to resellers in September*** . . . ."

"As supply chain pressures eased throughout the quarter, we saw increased deliveries of key inputs. Our suppliers of automotive-grade microchips also began to resume shipments in the quarter which allowed us to ship more of our popular electronic products in September. These suppliers have also provided better visibility to future shipments. While challenges remain in the supply chain, we are focused on improving availability of parts and increasing shipments."

". . . ***Profitability was negatively impacted by lower production volumes that drove negative operating leverage and manufacturing inefficiencies, especially earlier in the quarter***. We also saw higher input costs from both inflationary pressures and from the scarcity of certain automotive-grade microchips. ***Warranty costs were higher as resellers caught up on a backlog of warranty returns, and higher inbound freight and other overhead costs from earlier in the year are continuing to impact our results as they work their way through inventory***. Pricing actions taken mid-year partially offset these cost headwinds."

". . . In this challenging environment, we're pleased with the solid demand we've seen for our products at a time when consumers are stressed by inflationary pressures. ***We believe we are now positioned to convert more of this demand to sales***, as supply chain conditions improve, and as we continue to execute operationally. ***While there is still more work to do on lowering our cost structure and reducing our inventory levels***, ***we are aggressively pursuing numerous improvement opportunities and continue to make solid progress integrating acquired businesses to drive further synergies***. We remain confident in the underlying profitability and cash flow generation potential of our business, and we firmly believe that Holley's position as an industry leader with ample runway for long-term profitable growth is unchanged."

72. In response, the price of Holley stock fell 6.85%, falling from a close of $3.21 per share on November 11, 2022 (the prior trading day), to a close of $2.99 per share on November 14, 2022.

73. On December 12, 2022, the Company announced that the Board approved the appointment of Weaver as Holley's CFO, effective immediately, and that Weaver would succeed Trussell, who served as Holley's interim CFO since September 30, 2022.

74. On February 6, 2023, Holley made two announcements. First, it announced that CEO Tomlinson was retiring, effective immediately, and also resigning from the Company's Board, and that the Board appointed Director Gloeckler as Interim President and CEO while the Company conducted a "comprehensive search process to identify a permanent CEO." Holley also announced that Graham Clempson, an "observer" to the Board, had been appointed to the Board effective immediately, to fill Tomlinson's vacancy and would become the Board's Chair. The Company stated its search to replace Tomlinson would be conducted with the help of Heidrick & Struggles, a company "retained by the Board in September 2022 for a comprehensive review of succession planning."

75. Second, and also on February 6, 2023, the Company announced its preliminary 4Q22 and full year 2022 financial results, revealing 4Q22 sales that fell short as well as adjusted EBITDA that Holley CFO Weaver called "'disappointing.'" Specifically, the Company reported the following preliminary 4Q22 and full year 2022 "Highlights":

Fourth Quarter Highlights vs. Prior Year Period

- Preliminary Net Sales of $153-$155 million compared to $180 million in the fourth quarter 2021
- Preliminary Gross Profit of $46-$48 million compared to $75 million in the fourth quarter of 2021
- Preliminary Net Loss of $19-$17 million compared to a Net Loss of $18 million in the fourth quarter of 2021
- Preliminary Adjusted EBITDA of $13 to $15 million, compared to $36 million in the fourth quarter of 2021

Full Year 2022 Highlights vs. Prior Year Period

- Preliminary Net Sales of $687-$689 million, compared to $693 million in 2021
- Preliminary Gross Profit of $253-$255 million, compared to $287 million in 2021

- Preliminary Net Income of $70-$72 million, compared to a Net Loss of $27 million in 2021
- Preliminary Adjusted EBITDA range of $113 to $115 million, compared to $169 million in 2021

(Footnote omitted.)

76. The Company's preliminary 4Q22 earnings announcement included the following statement by interim CEO Gloeckler, revealing that Holley needed significant changes in order to return to "'profitable growth,'" stating:

> "We are making the necessary changes to return Holley to profitable growth, including adding a highly experienced Interim Chief Operating Officer in December 2022, Brian Appelgate, who is leading our cost reduction initiatives . . . . The entire Holley team is committed to delivering on the Holley Strategic Vison – to inspire and enable enthusiasts in their automotive adventures while bringing innovation, discovery, and fun to motor life."

77. The preliminary 4Q22 earnings announcement also included the following statement by CFO Weaver further expanding on Holley's need for significant changes, including the need to achieve synergies from Holley's past M&A activity and cutting costs, stating:

> "Holley's results for the fourth quarter and full year 2022 were below our expectations . . . . Ongoing supply chain challenges and ***normalization of consumer demand to pre-covid levels reduced sales in the second half of 2022***. Adjusted EBITDA results were disappointing, as continued deleveraging of fixed cost, inflation, and manufacturing challenges from the unpredictable supply chain significantly impacted our profitability. While we reduced our past-due orders by over 25% in the fourth quarter, the improvement came in product categories outside of electronics, which has been a key growth area for the Company in recent years."
>
> ". . . ***As Holley executed its acquisition growth strategy in recent years, the Company underwent a significant transformation***. In the last three years, we've closed 16 acquisitions, integrated 13 ERP systems and consolidated more than 160,000 square feet across 10 locations. ***To fully maximize the value of these transactions and position the Company for the next wave of growth, our focus in 2023 will be accelerating deal synergy capture and improving free cash flow across the Company through a combination of realigning teams to key strategic focus areas, streamlining operations, and working with vendors to bring cost back in line. Furthermore, targeted cost and inventory management efforts aim to improve profitability*** and support debt reduction, while a recently implemented interest rate collar should help to minimize the effects of rising interest rates on the Company.

> We are actively engaged in discussions with our lenders to ensure maximum flexibility as we execute these plans."
>
> ". . . We intend to provide our initial 2023 financial guidance on our upcoming fourth quarter 2022 earnings call in early March, and we will include more detail around these efforts and their expected impact during the call."

78. On this news, the price of Holley stock fell ***31%***, or $1.06 per share, to close at $2.36 per share on February 7, 2023, on unusually high trading volume. The following day, February 8, 2023, the price of Holley stock fell an additional 9.75%, or $0.23 per share, to close at $2.13 per share.

79. As a result of defendants' wrongful acts and omissions, and the subsequent declines in the market value of the Company's securities, plaintiff and other Class members suffered losses and damages.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

80. Defendants are liable for: (i) making false statements; and/or (ii) failing to disclose adverse facts known to them about Holley. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Holley securities was a success, as it: (i) deceived the investing public regarding Holley's prospects and business; (ii) artificially inflated the price of Holley securities; and (iii) caused plaintiff and other members of the Class to purchase Holley securities at artificially inflated prices and suffer damages when that artificial inflation was removed from the price of Holley securities.

CLASS ACTION ALLEGATIONS

81. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Holley securities during the Class Period and were damaged thereby as alleged herein (the "Class"). Excluded from the Class are defendants and their immediate families, the officers, directors, and affiliates of

defendants, at all relevant times, and their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which defendants have or had a controlling interest.

82. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Holley securities trade on the NYSE and Holley has millions of shares outstanding, owned by hundreds, if not thousands, of persons.

83. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class that predominate over questions that may affect individual Class members include:

(a) whether defendants violated the Exchange Act;

(b) whether statements made by defendants to the investing public omitted and/or misrepresented material facts about Holley;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or recklessly disregarded that their statements were false and misleading;

(e) whether the prices of Holley securities were artificially inflated; and

(f) the extent of damages sustained by Class members and the appropriate measure of damages.

84. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

85. Plaintiff will adequately protect the interests of the Class and has retained counsel experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

86. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. There will be no difficulty in the management of this action as a class action.

ADDITIONAL SCIENTER ALLEGATIONS

87. As alleged herein, defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading and omitted material facts, knew that such statements or documents would be issued or disseminated to the investing public, and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Holley, their control over and/or receipt and/or modification of allegedly materially misleading misstatements, and/or their associations with the Company, which made them privy to confidential proprietary information concerning Holley, participated in the fraudulent scheme alleged herein.

LOSS CAUSATION/ECONOMIC LOSS

88. During the Class Period, as detailed herein, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Holley securities and operated as a fraud or deceit on Class Period purchasers of Holley securities by failing to disclose and misrepresenting the adverse facts detailed herein. When defendants' prior misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the price of Holley securities fell precipitously as the prior artificial inflation came out of the securities' price. As a

result of their purchases of Holley securities during the Class Period, plaintiff and the other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws when the truth about Holley was revealed through the disclosures specified herein, which removed the artificial inflation from the price of Holley securities.

89. By failing to disclose to investors the adverse facts detailed herein, defendants presented a misleading picture of Holley's business and prospects. Defendants' false and misleading statements had the intended effect and caused Holley securities to trade at artificially inflated levels throughout the Class Period.

90. As a direct result of the disclosures identified herein, the price of Holley securities fell precipitously. This removed the artificial inflation from the price of Holley securities, causing real economic loss to investors who had purchased Holley securities at artificially inflated prices during the Class Period.

91. The price declines were a direct result of the nature and extent of defendants' fraud being revealed to investors and the market through partial disclosures. The timing and magnitude of the price declines in Holley securities negate any inference that the losses suffered by plaintiff and the other Class members were caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by plaintiff and the other Class members was a direct result of defendants' fraudulent scheme to artificially inflate the price of Holley securities and the subsequent significant declines in the value of Holley securities when defendants' prior misrepresentations and other fraudulent conduct were revealed.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD ON THE MARKET DOCTRINE

92. At all relevant times, the market for Holley securities was an efficient market for the following reasons, among others:

(a) Holley securities met the requirements for listing and were listed and actively traded on the NYSE, a highly efficient and automated market;

(b) as a regulated issuer, Holley filed periodic public reports with the SEC;

(c) Holley regularly communicated with public investors via established market communication mechanisms, including the regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Holley was followed by several securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

93. As a result of the foregoing, the market for Holley securities promptly digested current information regarding Holley from all publicly available sources and reflected such information in the price of the securities. Under these circumstances, all purchasers of Holley securities during the Class Period suffered similar injury through their purchase of Holley securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

94. The "Safe Harbor" warnings accompanying Holley's reportedly forward-looking statements ("FLS") issued during the Class Period were ineffective to shield those statements from liability. To the extent that projected revenues and earnings were included in the Company's

financial reports prepared in accordance with generally accepted accounting principles, including those filed with the SEC on Form 8-K, they are excluded from the protection of the statutory Safe Harbor. *See* 15 U.S.C. §78u-5(b)(2)(A).

95. Defendants are also liable for any false and misleading FLS pleaded because, at the time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was authorized and/or approved by an executive officer of Holley who knew that the FLS was false. In addition, the FLS were contradicted by existing, undisclosed material facts that were required to be disclosed so that the FLS would not be misleading. Finally, most of the purported "Safe Harbor" warnings were themselves misleading because they warned of "risks" that had already materialized or failed to provide meaningful disclosures of the relevant risks.

COUNT I

For Violation of §10(b) of the Exchange Act and Rule 10b-5
Against All Defendants

96. Plaintiff incorporates ¶¶1-95 by reference.

97. During the Class Period, Holley and the Individual Defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

98. Holley and the Individual Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) employed devices, schemes, and artifices to defraud;

(b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Holley securities during the Class Period.

99. In addition to the duties of full disclosure imposed on Holley and the Individual Defendants as a result of their affirmative false and misleading statements to the public, they had a duty to promptly disseminate truthful information with respect to Holley's operations and performance that would be material to investors in compliance with the integrated disclosure provisions of the SEC, so that the market price of the Company's securities would be based on truthful, complete, and accurate information. SEC Regulations S-X, 17 C.F.R. §210.1-01 *et seq*., and S-K, 17 C.F.R. §229.10 *et seq*.

100. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the Class have suffered damages in connection with their respective purchases and sales of Holley securities during the Class Period, because, in reliance on the integrity of the market, they paid artificially inflated prices for Holley securities and experienced loses when the artificial inflation was released from Holley securities as a result of the partial revelations and price declines detailed herein. Plaintiff and the Class would not have purchased Holley securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

101. By virtue of the foregoing, Holley and the Individual Defendants have each violated §10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

COUNT II

For Violation of §20(a) of the Exchange Act
Against All Defendants

102. Plaintiff incorporates ¶¶1-95 by reference.

103. Holley and the Individual Defendants acted as controlling persons of Holley within the meaning of §20(a) of the Exchange Act. By reason of their controlling positions with the Company, and their ownership of Holley securities, the Individual Defendants had the power and authority to cause Holley to engage in the wrongful conduct complained of herein. Holley controlled the Individual Defendants and all of its employees. By reason of such conduct, Holley and the Individual Defendants are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

A. Determining that this action is a proper class action, designating plaintiff as Lead Plaintiff, and certifying Plaintiff as a Class representative and appointing plaintiff's counsel as Lead Counsel under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Awarding such equitable, injunctive, or other relief as deemed appropriate by the Court.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: November 6, 2023

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