

# CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF CARLOTZ, INC.

Adopted as of January 21, 2021.

## I. PURPOSE OF THE COMMITTEE

The Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of CarLotz, Inc. (the “*Company*”) shall assist the Board in fulfilling its oversight responsibilities relating to:

- (a) the integrity of the Company’s financial statements, accounting and financial reporting processes and financial statement audits (including the implementation and effectiveness of internal control over financial reporting);
- (b) the implementation and effectiveness of the Company’s systems of disclosure controls and procedures;
- (c) the annual independent audit of the Company’s financial statements, the engagement of the independent auditors and the evaluation of the independent auditors’ qualifications, independence and performance;
- (d) risk assessment and risk management related to financial matters and the Company’s enterprise risk management program;
- (e) the Company’s compliance with legal and regulatory requirements; and
- (f) preparing the audit committee report required by the rules of the Securities and Exchange Commission (the “*SEC*”) to be included in the Company’s annual proxy statement.

The Committee’s responsibility is one of oversight and it has the responsibilities and powers set forth in this Charter of the Audit Committee (the “*Charter*”). Management is responsible for the preparation and presentation of the Company’s financial statements, for the appropriateness of the accounting principles, for reporting policies that are used by the Company, and for establishing and maintaining internal control over financial reporting. The independent auditor is responsible for auditing the Company’s financial statements and the effectiveness of internal control over financial reporting, and for reviewing the Company’s unaudited interim financial statements.

## II. COMPOSITION OF THE COMMITTEE

- (a) Committee Members. The Committee shall consist of three or more independent directors as determined from time to time by the Board. Upon the recommendation of the Nominating and Corporate Governance Committee of the Board, the members and the chair of the Committee shall be appointed by the full Board on an annual basis and may be re-appointed or replaced at the Board’s sole discretion at any time. If the Board does not designate a chair, the members of the Committee, by a majority vote, may designate a chair. Any vacancy on the Committee shall be filled by majority vote of the Board. The Committee may form one or more subcommittees, each of which may take such actions as may be delegated by the Committee to the extent permitted by law.

- (b) Qualifications. Each Committee member shall meet the independence and experience requirements established for audit committee members under the Nasdaq listing rules and applicable law. At least one member of the Committee shall satisfy the financial experience requirements set forth in such standards and rules. All members shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement. No Committee member shall have participated in the preparation of the financial statements of the Company or any subsidiary of the Company at any time during the past three years.

### **III. MEETINGS, QUORUM AND MINUTES**

The Committee shall meet at least four times each fiscal year. The chair shall each year establish a schedule of meetings; additional meetings may be scheduled as required. Meetings shall be called by the chair of the Committee or, if there is no chair, by a majority of the members of the Committee. Meetings may be held telephonically or by other electronic means to the extent permitted by the Company's organizational documents and applicable law. Committee actions may be taken by unanimous written consent. A majority of the members of the Committee shall constitute a quorum. All determinations shall be made by a majority of the members present at a meeting duly called and held. The Committee shall report its activities to the Board on a regular basis and shall make such recommendations to the Board as it deems appropriate. Minutes for all meetings shall be prepared, circulated in draft form, and approved. The Committee shall meet with management, and shall meet quarterly in separate executive sessions with (i) the chief financial officer; (ii) the chief internal auditor and/or the firm engaged to oversee the Company's internal audit function; and (iii) the independent auditors.

### **IV. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

#### ***Selection, Evaluation and Oversight of the Auditors***

- (a) The Committee shall be directly responsible for the appointment, evaluation, retention and termination, compensation, and oversight of the work of the independent auditor (including resolution of any disagreements between Company management and the independent auditor) for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attestation services for the Company, and the independent auditor shall report directly to the Committee. The Committee shall, at least annually, evaluate the independent auditor's performance and, if appropriate, recommend its discharge.
- (b) The Committee shall receive, at least annually, the written disclosures and the letter from the independent auditor required by the applicable requirements of the Public Company Accounting Oversight Board (the "**PCAOB**") regarding the independent auditor's communications with the Committee concerning independence, including a description of all relationships between the independent auditor and the Company that may impact the objectivity and independence of the firm, and discuss with the independent auditor the potential effects of any disclosed relationship on independence. The Committee shall discuss with the auditor the scope of any disclosed relationships and their impact or potential impact on the auditor's independence and objectivity and recommend that the full Board take appropriate action to satisfy itself of the

auditor's independence. The Committee shall confirm that the "lead partner," the "concurring partner" and the other "audit partner" rotation requirements under the listing standards and rules of the Nasdaq and the SEC, including Regulation S-X have been complied with.

- (c) The Committee shall, at least annually, review reports by the independent auditor describing the auditor's internal quality control procedures, material issues raised by its most recent internal quality control review, peer review, or PCAOB review or inspection, or by any inquiry or investigation by governmental or professional authorities within the preceding five years and any steps taken to deal with any such issues.
- (d) The Committee shall approve procedures for the pre-approval of the engagement of the independent auditors to provide audit and non-audit services, including the terms of the engagement. The Committee shall, in accordance with such procedures, pre-approve all audit and non-audit services provided to the Company by the independent auditors, all as required by applicable law or listing standards. These policies and procedures may delegate authority to one or more members of the Committee to grant pre-approval, provided that the decision is presented to the Committee at its next scheduled meeting.

#### ***Oversight of Annual Audit and Quarterly Reviews***

- (a) In connection with each annual audit, the Committee shall discuss with the independent auditors their annual audit plan, including the timing and scope of audit activities, and monitor such plan's progress and results during the year.
- (b) The Committee shall review with management, the Company's independent auditors and the chief internal auditor and/or the firm engaged to oversee the Company's internal audit function, the following:
  - (i) all critical accounting policies and practices to be used;
  - (ii) material changes in the Company's selection or application of accounting principles;
  - (iii) any critical audit matters arising from the current period audit;
  - (iv) all alternative treatments of financial information within generally accepted accounting principles that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  - (v) all other material written communications between the independent auditors and management, such as any management or internal control letter and any schedule of unadjusted differences;
  - (vi) any material financial arrangements of the Company which do not appear on the financial statements of the Company; and
  - (vii) any other matters that are significant to the integrity and oversight of the Company's financial reporting process, including any other issues

required to be discussed by applicable law, PCAOB AS 1301 or any other applicable standards of the PCAOB.

- (c) The Committee shall review with management, the Company's independent auditors and, if appropriate, the chief internal auditor and/or the firm engaged to oversee the Company's internal audit function, the following:
  - (i) the Company's annual audited financial statements and unaudited quarterly financial statements, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the matters required to be communicated to the SEC under generally accepted auditing standards and rules of the SEC, and any significant issues related thereto;
  - (ii) significant issues regarding accounting principles and financial statements presentations, including any significant changes in the Company's selection or application of accounting principles;
  - (iii) any analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative generally accepted accounting principles methods on the Company's financial statements; and
  - (iv) the effect of any new or proposed regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's risks and liabilities, financial statements and other public disclosure and internal controls.
- (d) The Committee shall be informed of all disagreements between the Company's independent auditors and management regarding financial reporting, and reporting on internal control over financial reporting and understand the resolution of such. The Committee shall review on a regular basis with the Company's independent auditors any problems or difficulties encountered by the independent auditors in the course of any audit work, including management's response with respect thereto, any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management. In connection therewith, the Committee should review with the independent auditors the following:
  - (i) any accounting adjustments that were noted or proposed by the independent auditors that were either accepted by or were rejected by management (as immaterial or otherwise); and
  - (ii) any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement, including where applicable the resulting memoranda documenting the issue.

## ***Oversight of the Financial Reporting Process and Internal Controls***

- (a) The Committee shall:
- (i) Establish and maintain free and open means of communication between and among the Committee, the Company's independent auditors, the Company's internal auditing department and management and/or the firm engaged to oversee the Company's internal audit function, including meeting separately and privately with such parties on a periodic basis;
  - (ii) Review with management, the adequacy and effectiveness of the Company's administrative, operational, and accounting policies and procedures on a regular basis, including the responsibilities, budget, compensation and the adequacy of the staffing of the Company's internal audit function including overseeing the appointment, removal or reassignment of the head of internal audit and/or the firm engaged to oversee the Company's internal audit function, through inquiry and discussions with or reports from the Company's independent auditors, management and director or other supervisor of the Company's internal auditing department and/or the firm engaged to oversee the Company's internal audit function. The head of internal audit and/or the firm engaged to oversee the Company's internal audit function shall report functionally to the Committee and administratively to the CFO. The head of internal audit and/or the firm engaged to oversee the Company's internal audit function shall meet periodically with the Committee in executive session;
  - (iii) Review with management, the progress and results of all internal audit projects, the status of significant findings and recommendations and, when deemed necessary or appropriate by the Committee, direct the Chief Executive Officer (the "**CEO**") to assign additional internal audit projects to the director or other supervisor of the Company's internal auditing department and/or the firm engaged to oversee the Company's internal audit function;
  - (iv) Review any changes in internal controls or with respect to the system of internal control over financial reporting, that could potentially have a material impact on such internal controls or may be required to be disclosed in the Company's periodic filings with the SEC, including any corrective actions or remediation plans with regard to significant deficiencies and material weaknesses and shall discuss the same with management, the internal audit group and/or the firm engaged to oversee the Company's internal audit function and the independent auditor;
  - (v) Review, no less frequently than quarterly, with the Company's independent auditors, management and director or other supervisor of the Company's internal auditing department and/or the firm engaged to oversee the Company's internal audit function the impact on the Company of significant accounting or financial reporting developments that may have a bearing on the Company;

- (vi) Review the yearly report prepared by management, and attested to by the Company's independent auditors if required by law or by the Committee, assessing the effectiveness of the Company's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Company's Annual Report on Form 10-K;
- (vii) Review and discuss with the independent auditors the results of the year-end audit of the Company, including any comments or recommendations of the Company's independent auditors, any certification, report, opinion or review rendered by the independent auditors in connection with the financial statements and, based on such review and discussions and on such other considerations as it determines appropriate, recommend to the Board whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K;
- (viii) Review the Company's independent auditor's attestation, including whether to engage the auditors or such attestations, and report, on the assessment made by management, in each case, as and when required by applicable law;
- (ix) Review any fraud (regardless of materiality) involving management or other employees having a significant role in internal control over financial reporting; and
- (x) Review the process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act of 2002, including the evaluation of the effectiveness of disclosure controls and procedures by the Company's CEO and the Company's Chief Financial Officer and the review of any reports or disclosure submitted by management to the Committee in connection with such certifications.

***Other***

- (a) *Risk Management.* Review and discuss, with management and the independent auditors as appropriate, the Company's major financial risks and enterprise exposures, risk assessment and risk management policies, risks related to cybersecurity and the steps management has taken to monitor and control such exposures.
- (b) *Hiring Practices.* The Committee shall establish clear hiring policies by the Company for employees or former employees of the Company's independent auditors.
- (c) *Related Party Transactions.* The Committee shall establish and implement policies and procedures for the Committee's review and approval or disapproval of proposed transactions or courses of dealings with respect to which executive officers or directors or members of their immediate families have an interest (including all transactions with related persons required to be disclosed by Item 404(a) of Regulation S-K).

- (d) *Attorney Reporting.* The Committee shall meet periodically with the general counsel, and outside counsel when appropriate, to review legal and regulatory matters, including (i) any matters that may have a material impact on the financial statements of the Company and (ii) any matters involving potential or ongoing material violations of law or breaches of fiduciary duty by the Company or any of its directors, officers, employees or agents or breaches of fiduciary duty to the Company.
- (e) *Audit Committee Report.* The Committee shall prepare the report required to be included in the Company's annual proxy statement in accordance with SEC rules.
- (f) *Section 10A(b) Implications.* The Committee shall obtain from the independent auditor assurances that the independent auditor is not aware of any matters required to be reported under Section 10A(b) of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*").
- (g) *Compliance.* The Committee shall review the Company's program to monitor compliance with the Company's Code of Conduct and Code of Ethics for Principal Executive and Senior Financial Officers, regularly receive reports from management detailing the activities of the ethics and compliance program and reporting on significant allegations of misconduct, violations of law, and any significant investigations that may involve the Company and meet periodically with the general counsel to discuss compliance with such codes.
- (h) *Conflict of Interest.* The Committee shall review the Company's policies relating to the ethical handling of conflicts of interest and review past or proposed transactions between the Company and members of management, as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Company's independent auditors.
- (i) *Independent Auditor Services.* The Committee shall review and approve in advance any services provided by the Company's independent auditors to the Company's executive officers or members of their immediate family. Any approval by the Committee of such services will be an exception based on the facts and circumstances and as permissible under current law and regulations.
- (j) *Whistleblower Procedures Compliance.* The Committee shall review, approve and thereby establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters the Company's policies and programs relating to health, safety and environmental matters, equal employment opportunity or such other matters, including the Company's Code of Conduct and for the confidential, anonymous submission by employees of concerns regarding any such concerns or other legal, ethical, reputational or regulatory concerns.
- (k) *Management Integrity.* The Committee shall review and investigate any matters relating to the integrity of management (as determined under Rule 16a-1(f) of the Exchange Act), potential conflicts of interest and adherence to the Company's policies, including the Code of Conduct. The Committee shall

determine whether to grant any waiver requested under the Code of Conduct and the Code of Ethics for Principal Executive and Senior Financial Officers by a director or executive officer. The Committee shall also review with the independent auditor and internal audit and/or the firm engaged to oversee the Company's internal audit function the integrity of the Company's financial reporting process, both internal and external.

- (l) *Other Matters.* The Committee shall also perform such other duties and responsibilities as are consistent with this Charter, the Company's organizational documents or as the Committee or the Board otherwise deems necessary and appropriate.

## **V. EVALUATION OF THE COMMITTEE**

The Committee shall, no less frequently than annually and in coordination with the Nominating and Corporate Governance Committee, evaluate its performance. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

## **VI. OUTSIDE ADVISORS**

The Committee shall have the authority to retain or terminate, at its sole discretion, any independent counsel, experts or advisors (accounting, financial or otherwise) that the Committee believes to be necessary or appropriate to carry out its duties. The Committee may also use the services of the Company's regular legal counsel or other advisors to the Company. The chair of the Committee, at the request of any member of the Committee, may request any officer, employee or advisor of the Company or the Company's independent auditor to attend a meeting of the Committee or otherwise respond to Committee requests.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any independent public accounting firm, including the independent auditor, engaged for the purposes of preparing, rendering or issuing an audit report or performing other audit, review or attest services, for payment of compensation to any independent counsel, experts or advisors employed by the Committee and for ordinary and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.