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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

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

For the quarterly period ended March 31, 2024

OR

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

Commission file number 001-39223

**Sadot Group Inc.**

(Exact name of registrant as specified in its charter)

Nevada	47-2555533
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
 295 E. Renfro Street, Suite 209, Burleson, Texas 76028 (Address of principal executive offices)	
 1751 River Run, Suite 200, Fort Worth, Texas 76107 (Former address of registrant)	

Registrant's telephone number, including area code: (832) 604-9568

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	SDOT	The NASDAQ Capital Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

The number of shares of the Registrant's common stock, \$0.0001 par value per share, outstanding as of May 15, 2024, was 54,728,960.

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**Sadot Group Inc.**  
**Quarterly Report on Form 10-Q**  
**For the Three Months Ended March 31, 2024**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Sadot Group Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
	\$'000	\$'000
<b>Assets</b>		
Current assets:		
Cash	1,214	1,354
Accounts receivable, net of allowance for doubtful accounts of \$ 0.2 million and \$0.2 million as of March 31, 2024 and December 31, 2023, respectively	23,095	52,920
Inventory	2,383	2,561
Assets held for sale	6,950	—
Other current assets	58,584	56,016
Total current assets	92,226	112,851
Right to use assets	—	1,284
Property and equipment, net	11,961	12,883
Goodwill	—	1,798
Intangible assets, net	—	2,833
Other non-current assets	46,340	46,442
Total assets	<u>150,527</u>	<u>178,091</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	23,342	50,167
Notes payable, current, net of discount of \$ 0.1 million and \$0.2 million as of March 31, 2024 and December 31, 2023, respectively	3,640	6,531
Operating lease liability, current	—	385
Deferred revenue, current	2,165	1,229
Liabilities held for sale	3,752	—
Other current liabilities	46,111	46,270
Total current liabilities	79,010	104,582
Contract liability, non-current	46,048	46,048
Notes payable, non-current	—	622
Operating lease liability, non-current	—	1,027
Deferred revenue, non-current	292	1,555
Total liabilities	<u>125,350</u>	<u>153,834</u>
<b>Commitments and Contingencies</b>		
Stockholders' equity:		
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 44,234,315 and 40,464,720 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	4	4
Additional paid-in capital	109,281	107,988
Accumulated deficit	(87,444)	(87,179)
Accumulated other comprehensive (loss) / income	(52)	8
Total Sadot Group Inc. shareholders' equity	21,789	20,821
Non-controlling interest	3,388	3,436
Total stockholders' equity	<u>25,177</u>	<u>24,257</u>
Total liabilities and stockholders' equity	<u>150,527</u>	<u>178,091</u>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group Inc.**  
**Condensed Consolidated Statement of Operations and Other Comprehensive Loss**  
**(Unaudited)**

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
Commodity sales	106,507	210,366
Company restaurant sales, net of discounts	1,157	2,301
Franchise royalties and fees	257	284
Franchise advertising fund contributions	15	16
Cost of goods sold	<u>(108,276)</u>	<u>(208,294)</u>
<b>Gross (loss) profit</b>	<b>(340)</b>	<b>4,673</b>
Depreciation and amortization expenses	(280)	(633)
Franchise advertising fund expenses	(15)	(16)
Pre-opening expenses	—	(36)
Post-closing expenses	(19)	(94)
Stock-based expenses	(796)	(3,359)
Sales, general and administrative expenses	<u>(2,096)</u>	<u>(2,142)</u>
<b>Loss from operations</b>	<b>(3,546)</b>	<b>(1,607)</b>
Interest (expense) / income, net	(490)	3
Change in fair value of stock-based compensation	476	541
Gain on fair value remeasurement	3,259	—
Loss on sale of trading securities	<u>(11)</u>	<u>—</u>
<b>Loss Before Income Tax</b>	<b>(312)</b>	<b>(1,063)</b>
Income tax expense	<u>1</u>	<u>3</u>
<b>Net loss</b>	<b>(313)</b>	<b>(1,066)</b>
Net loss attributable to non-controlling interest	<u>48</u>	<u>—</u>
<b>Net loss attributable to Sadot Group Inc.</b>	<b><u>(265)</u></b>	<b><u>(1,066)</u></b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group Inc.**  
**Condensed Consolidated Statement of Operations and Other Comprehensive Loss**  
**(Unaudited) (Continued)**

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
<b>Net loss</b>	(313)	(1,066)
<b>Other comprehensive income</b>		
Unrealized loss, net of income tax	(60)	—
<b>Total other comprehensive loss</b>	<b>(60)</b>	<b>—</b>
<b>Total comprehensive loss</b>	<b>(373)</b>	<b>(1,066)</b>
Comprehensive loss attributable to non-controlling interest	48	—
<b>Total Comprehensive loss attributable to Sadot Group Inc.</b>	<b>(325)</b>	<b>(1,066)</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
**(Unaudited)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss		Non- controlling Interest	Total
	Shares	Amount			\$'000	\$'000		
	'000	\$'000			\$'000	\$'000		
<b>Balance at December 31, 2022</b>	<b>29,287</b>	<b>3</b>	<b>95,913</b>	<b>(79,355)</b>				<b>16,561</b>
Common stock compensation to board of directors	31	—	28	—	—	—	—	28
Common stock issued as compensation for services	2,849	—	3,020	—	—	—	—	3,020
Stock-based compensation - options	—	—	27	—	—	—	—	27
Net loss	—	—	—	(1,066)	—	—	—	(1,066)
<b>Balance at March 31, 2023</b>	<b>32,167</b>	<b>3</b>	<b>98,988</b>	<b>(80,421)</b>				<b>18,570</b>
<b>Balance at December 31, 2023</b>	<b>40,465</b>	<b>4</b>	<b>107,988</b>	<b>(87,179)</b>	<b>8</b>	<b>3,436</b>		<b>24,257</b>
Common stock compensation to board of directors	106	—	42	—	—	—	—	42
Common stock issued as compensation for services	583	—	175	—	—	—	—	175
Conversion of convertible loan	2,841		965					965
Stock Based Compensation - Vesting of Options and Restricted Stock Awards	239	—	111	—	—	—	—	111
Unrealized loss, net of income tax	—	—	—	—	(60)	—	—	(60)
Net loss	—	—	—	(265)	—	(48)	—	(313)
<b>Balance at March 31, 2024</b>	<b>44,234</b>	<b>4</b>	<b>109,281</b>	<b>(87,444)</b>	<b>(52)</b>	<b>3,388</b>		<b>25,177</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Net loss	(313)	(1,066)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	280	633
Stock-based expenses	796	3,414
Change in fair value of compensation	476	541
Unrealized loss, net of income tax	(60)	—
Loss on disposal of assets	63	—
Bad debt expense	—	(5)
Transfer to assets held for sale	(265)	—
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable, net	29,566	(4,821)
Inventory	—	(34,848)
Other current assets	(2,690)	111
Other non-current assets	36	—
Accounts payable and accrued expenses	(26,498)	32,828
Other current liabilities	71	14
Operating right to use assets and lease liabilities, net	(61)	(30)
Deferred revenue	1,198	(53)
Total adjustments	2,912	(2,216)
<b>Net cash provided by (used in) operating activities</b>	<b>2,599</b>	<b>(3,282)</b>
<b>Cash Flows from Investing Activities</b>		
Deposit on farmland	—	(87)
Purchases of property and equipment	(11)	(109)
Disposal of property and equipment	62	—
<b>Net cash provided by (used in) investing activities</b>	<b>51</b>	<b>(196)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	1,500	—
Repayments of notes payable	(4,290)	(34)
<b>Net cash used in financing activities</b>	<b>(2,790)</b>	<b>(34)</b>
<b>Net Decrease in Cash</b>	<b>(140)</b>	<b>(3,512)</b>
Cash – beginning of period	1,354	9,898
<b>Cash – end of period</b>	<b>1,214</b>	<b>6,386</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group Inc.**  
**Condensed Consolidated Statements of Cash Flows (Continued)**  
**(Unaudited)**

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	495	3
Transfer to assets held for sale	6,590	—

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

## **1. Business Organization and Nature of Operations**

Sadot Group Inc. ("Sadot Group" or "SGI" or together with its subsidiary, the "Company") (f/k/a Muscle Maker, Inc.) , a Nevada corporation was incorporated in Nevada on October 25, 2019. In late 2022, SGI has transformed from a U.S.-centric restaurant business into a global organization focused on the Agri-food commodity supply chain. Effective July 27, 2023, we changed our company name from Muscle Maker, Inc., to Sadot Group Inc. Sadot Group is headquartered in Ft. Worth, Texas with subsidiary operations throughout the United States, Brazil, Colombia, Dubai, India, Israel, Singapore, Ukraine and Zambia.

As of March 31, 2024, SGI consisted of two distinct operating units:

1. Sadot LLC ("Sadot Agri-Foods"): Sadot Group's largest operating unit is a global Agri-Foods company engaged in farming, commodity trading and shipping of food and feed (e.g., soybean meal, wheat and corn) via dry bulk cargo ships to/from markets such as Argentina, Australia, Bangladesh, Brazil, Canada, China, Columbia, Ecuador, Egypt, Guinea, Honduras, India, Indonesia, Ivory Coast, Japan, Kenya, Malaysia, Morocco, Mozambique, Nigeria, Philippines, Poland, Romania, Saudi Arabia, South Korea, Sri Lanka, Ukraine, United States and Vietnam, among others. Sadot Agri-Foods competes with the ABCD commodity companies (ADM, Bunge, Cargill, Louis-Dreyfus) as well as many regional organizations. Sadot Agri-Foods operates, through a majority owned subsidiary, a roughly 5,000 acre crop producing farm in Zambia with a focus on major commodities such as wheat, soy and corn alongside high-value tree crops such as avocado and mango. Sadot Agri-Foods was formed as part of the Company's diversification strategy to own and operate, through its subsidiaries, the business lines throughout the food value chain. Sadot Agri-Foods seeks to diversify over time into a sustainable and forward-looking global agri-foods company.
2. Sadot Restaurant Group, LLC ("Sadot Food Services") has three unique "healthier for you" concepts, including two fast casual restaurant concepts, Pokémoto and Muscle Maker Grill, as well as one subscription-based fresh prep meal concept, SuperFit Foods. The restaurants were founded on the belief of taking every-day menu options and converting them into "healthier for you" menu choices with the goal of satisfying consumers demand for healthier choices, customization, flavor and convenience. Each of our three concepts offers different menus that are tailored to specific consumer segments. We believe our concepts deliver highly differentiated customer experiences. This entire operating segment was identified as held for sale. Please see Note 3 – Assets held for sale for further details.

### Recent Corporate Developments

Effective July 27, 2023, the Company changed its name from Muscle Maker, Inc. to Sadot Group Inc. The name change was made in accordance with Section 92A.180 of the Nevada Revised Statutes by merging a wholly-owned subsidiary of the Company with and into the Company, with the Company being the surviving corporation in the merger. The Company effectuated the merger by filing Articles of Merger with the Secretary of State of the State of Nevada. In connection with the merger, the Company amended Article I of its Articles of Incorporation to change the Company's corporate name to Sadot Group Inc. With the exception of the name change, there were no other changes to the Company's Articles of Incorporation.

Additionally, as of the opening of trading on July 27, 2023, the ticker symbol of the Company's common stock on The Nasdaq Capital Market was changed to "SDOT" and the CUSIP number of the Company's common stock (627333107) remained unchanged. The Company's name and ticker symbol change do not affect the rights of the Company's security holders, creditors, customers or suppliers. Following the name change, any stock certificates that reflect the Company's prior name, if any, continue to be valid.

In the first quarter of 2024, the Company classified its Sadot Food Services segment as held for sale. See Note 3 – Assets held for sale for additional information.

### Liquidity

The Company's primary source of liquidity is cash on hand. As of March 31, 2024, the Company had a cash balance, a working capital surplus and an accumulated deficit of \$1.2 million, \$13.2 million, and \$87.4 million, respectively. During the three months ended March 31, 2024, the Company incurred a Pre-tax net loss of \$0.3 million. The Company had Net

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

cash provided by operations of \$ 2.6 million for the three months ended March 31, 2024. The Company believes that our existing cash on hand, current accounts receivable and future cash flows from our commodity trading, farming and franchise operations, will be sufficient to fund our operations, anticipated capital expenditures and repayment obligations over the next 12 months. In addition, the Company has access to additional liquidity if it is needed through an executed Standby Equity Purchase Agreement ("SEPA") for up to \$ 25 million in capital whereby the Company may submit advance requests to the lender and the lender will provide cash in consideration of shares of common stock subject to certain limitations and conditions set forth in the SEPA.

*Working Capital*

We measure our liquidity in a number of ways, including the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Cash	1,214	1,354
Accounts Receivable, net	23,095	52,920
Inventory	2,383	2,561
Other current assets <sup>(1)</sup>	58,584	56,016
Assets held for sale <sup>(5)</sup>	6,950	—
Total current assets	92,226	112,851
Accounts payable and accrued expenses	23,342	50,167
Notes payable, net	3,640	6,531
Other current liabilities <sup>(2)</sup>	48,276	47,884
Liabilities held for sale <sup>(6)</sup>	3,752	—
Total current liabilities	79,010	104,582
Working capital <sup>(3)</sup>	13,216	8,269
Current ratio <sup>(4)</sup>	1.17	1.08

(1) Consists of Prepaid expenses and other current assets, Prepaid forward on carbon offsets, Forward sales derivatives and Notes receivable, current

(2) Consists of Operating lease liability, current, Deferred revenue, current and Other current liabilities

(3) Working Capital is defined as Total current assets less Total current liabilities

(4) Current ratio is defined as Total current assets divided by Total current liabilities

(5) See Note 3 for additional information

(6) See Note 3 for additional information

## 2. Significant Accounting Policies

### Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the Unaudited Condensed Consolidated Financial Statements of the Company as of March 31, 2024, and for the three months ended March 31, 2024, and 2023. The results of operations for the three months ended March 31, 2024, and 2023 are not necessarily indicative of the operating results for the full year. It is suggested that these Unaudited Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2023. The Balance Sheet as of December 31, 2023, has been derived from the Company's audited Financial Statements.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**Principles of Consolidation**

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries and majority-owned subsidiary. Any intercompany transactions and balances have been eliminated in consolidation.

**Reclassifications**

Certain prior period balances have been reclassified in order to conform to current period presentation. These reclassifications have no effect on the previously reported results of operations or loss per share.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant estimates include:

- the assessment of recoverability of long-lived assets, including property and equipment, goodwill and intangible assets;
- the estimated useful lives of intangible and depreciable assets;
- estimates and assumptions used to value warrants and options;
- the recognition of revenue; and
- the recognition, measurement and valuation of current and deferred income taxes.

Estimates and assumptions are periodically reviewed, and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

**Cash and Cash Equivalents**

The Company considers all highly-liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of March 31, 2024 or December 31, 2023.

**Inventory**

Inventory, which are stated at the lower of cost or net realizable value, related to our raw materials, supplies and harvested crops related to our farming operations of \$2.4 million and \$2.4 million as of March 31, 2024, and December 31, 2023, respectively. Cost is determined using the first-in, first-out method.

**Accounts Receivable**

Accounts Receivable consists of receivables related to Sadot Agri-Foods of \$ 23.1 million and \$52.9 million net of doubtful accounts of \$ 0.2 million and \$0.2 million as of March 31, 2024, and December 31, 2023, respectively.

Accounts receivable is stated at historical carrying amounts net of write-offs and allowances for uncollectible accounts. The Company establishes allowances for uncollectible trade accounts receivable based on lifetime expected credit losses using an aging schedule for each pool of accounts receivable. Pools are determined based on risk characteristics such as the type of receivable and geography. A default rate is derived using a provision matrix which is evaluated on a regular basis by management and based on past experience and other factors. The default rate is then applied to the pool to determine the allowance for expected credit losses. Given the short-term nature of the Company's trade accounts receivable, the default rate is only adjusted if significant changes in the credit profile of the portfolio are identified (e.g., poor crop years, credit

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

issues at the country level, systematic risk), resulting in historic loss rates that are not representative of forecasted losses. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely.

Assets held for sale

In the first quarter of 2024, the Company classified its Sadot food services segment as held for sale.

Assets and liabilities of disposal group(s) are classified as held for sale when:

- management, having the authority to approve action, commits to a plan to sell,
- the disposal group(s) are available for immediate sale in present condition,
- an active program to locate a buyer and other actions required to complete the plan to sell have been initiated,
- the sale is probable and expected to be completed within one year,
- the sale is actively marketed at a reasonable price reflecting its current fair value,
- and it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The Company initially measures a disposal group that is classified as held for sale at the lower of its carrying value or fair value less cost to sell. Any impairment loss resulting from this initial measurement is recognized in the period in which the held for sale criteria described above, is met. Conversely, gains are not recognized on the sale of a disposal group until the date of sale. The Company assesses the fair value of a disposal group, less costs to sell, at each reporting period that it remains as held for sale, with any changes as a result of the assessment adjusting the carrying value of the disposal group, but not in excess of the cumulative loss previously recognized on the disposal group.

Following their classification as held for sale, assets are not depreciated or amortized. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized. Refer to Note 3 – Assets held for sale for more details.

Property and Equipment

Property and equipment are stated at cost less accumulated Depreciation and amortization expenses. Major improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The estimated useful lives are as follows:

Furniture and Equipment	3 – 7 years
Leasehold Improvements	1 – 8 years
Vehicles	5 - 10 years
Land Improvements	3 -20 years

Intangible Assets

The Company accounts for recorded intangible assets in accordance with the Accounting Standards Codification ("ASC") 350 "Intangibles – Goodwill and Other". In accordance with ASC 350, the Company does not amortize intangible assets having indefinite useful lives. The Company's goodwill has an indefinite life and is not amortized, but is evaluated for impairment at least annually, or more often whenever changes in facts and circumstances may indicate that the carrying value may not be recoverable. ASC 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

impairment. In the first quarter of 2024, the remaining intangible assets were moved to assets held for sale. See Note 3 – Assets held for sale for additional information.

**Impairment of Long-Lived Assets**

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, the Company performs an analysis to review the recoverability of the asset's carrying value, which includes estimating the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income.

**Convertible Instruments**

The Company evaluates its convertible instruments to determine if those contracts or embedded components of those contracts qualify as derivative financial instruments to be separately accounted for in accordance with Topic 815 of the Financial Accounting Standards Board ("FASB").

If the instrument is determined not to be a derivative liability, the Company then evaluates for the existence of a beneficial conversion feature by comparing the market price of the Company's common stock as of the commitment date to the effective conversion price of the instrument.

As of March 31, 2024 and December 31, 2023, the Company deemed the conversion feature related to notes payable was not required to be bifurcated and recorded as a derivative liability.

**Related Parties**

A party is considered to be related to the Company if the party directly, indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

**Revenue Recognition**

The Company's revenues consist of Commodity sales, Restaurant sales, Franchise royalties and fees, Franchise advertising fund contributions, and Other revenues. The Company recognizes revenues according to Topic 606 of FASB, "Revenue from Contracts with Customers". Under the guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (1) identifying the contract with the customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations; and (5) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, we made significant judgments in identifying the promised goods or services in our contracts with franchisees that are distinct, and which represent separate performance obligations.

***Seasonality***

There is a degree of seasonality in the growing cycles, procurement and transportation of crops. The farming industry in general historically experiences seasonal fluctuations in revenues and net income. Typically, the Company has lower sales and net income during the non-harvest seasons and higher sales and net income during the harvest season.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

*Commodity Sales*

Commodity sale revenue is generated by Sadot Agri-Foods and is recognized when the commodity is delivered as evidenced by delivery and the invoice is prepared and submitted to the customer. During the three months ended March 31, 2024 and 2023, the Company recorded Commodity sales revenues of \$106.5 million and \$210.4 million, respectively, which is included in Commodity sales on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

*Restaurant Sales*

Retail store revenue at Sadot Food Service is recognized when payment is tendered at the point of sale, net of sales tax, discounts and other sales-related taxes. The Company recorded retail store revenues of \$1.2 million during the three months ended March 31, 2024 and \$ 2.3 million for the three months ended March 31, 2023, respectively, which is included in Restaurant sales on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

The Company sells gift cards which do not have an expiration date, and it does not deduct dormancy fees from outstanding gift card balances. The Company recognizes revenues from gift cards as restaurant revenues once the Company performs its obligation to provide food and beverage to the customer simultaneously with the redemption of the gift card or through gift card breakage.

*Franchise Royalties and Fees*

Franchise revenues consists of royalties, initial franchise fees and rebates. Royalties are based on a percentage of franchisee net sales revenue. The Company recognizes the royalties as the underlying sales occur. The Company recorded revenue from royalties of \$0.2 million during the three months ended March 31, 2024 and \$0.2 million during the three months ended March 31, 2023, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

The Company provides the franchisees with management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for the multi-unit development fees and initial franchise fees. The Company capitalizes these fees upon collection from the franchisee. These initial fees are then recognized as franchise fee revenue on a straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are due upon the execution of the related franchise agreement. The Company's performance obligation with respect to franchise fee revenues consists of a license to utilize the Company's brand for a specified period of time, which is satisfied equally over the life of each franchise agreement. If a franchise location closes or a franchise agreement is terminated for any reason, the unrecognized revenue will be recognized in full at that time. The Company recorded revenue from initial franchise fees of \$26.9 thousand and \$0.1 million during the three months ended March 31, 2024 and 2023, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

The Company has supply agreements with certain food and beverage vendors. Pursuant to the terms of these agreements, rebates are provided to the Company based upon the dollar volume of purchases for all company-owned and franchised restaurants from these vendors. Rebates earned on purchases by franchise stores are recorded as revenue during the period in which the related food and beverage purchases are made. The Company recorded revenue from rebates of \$22.9 thousand during the three months ended March 31, 2024 and \$ 26.0 thousand for the three months ended March 31, 2023, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss. Rebates earned on purchases by Company-owned stores are recorded as a reduction of Food and beverage costs during the period in which the related food and beverage purchases are made.

*Franchise Advertising Fund Contributions*

Under the Company's franchise agreements, the Company and its franchisees are required to contribute a certain percentage of revenues to a national advertising fund. The Company's national advertising services are provided on a

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

system-wide basis and therefore, not considered distinct performance obligations for individual franchisees. In accordance with Topic 606, the Company recognizes these sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee Company incurs the corresponding advertising expense. The Company records the related advertising expenses as incurred under Sales, general and administrative expenses. When an advertising contribution fund is over-spent at year-end, advertising expenses will be reported on the Unaudited Condensed Consolidated Statement of Operations in an amount that is greater than the revenue recorded for advertising contributions. Conversely, when an advertising contribution fund is under-spent at a period-end, the Company will accrue advertising costs up to advertising contributions recorded in revenue. The Company recorded contributions from franchisees of \$15.0 thousand during the three months ended March 31, 2024 and \$ 16.0 thousand for the three months ended March 31, 2023, which are included in Franchise advertising fund contributions on the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

**Deferred Revenue**

Deferred revenue primarily includes initial franchise fees received by the Company and revenue from forward sales contracts. Deferred revenue related to Sadot food services is recognized in income over the life of the franchise. If a franchise location closes or a franchise agreement is terminated for any reason, the remaining deferred revenue will be recognized in full at that time. Deferred revenue related to Sadot Agri-Foods is recognized at the completion of the commodity forward sales contract agreements.

**Stock-Based Expenses**

Stock-based expenses include all expenses that are paid with stock. This includes stock-based consulting fees due to Aggia and other consultants, stock compensation paid to the Company's board of directors, and stock compensation paid to employees. The consulting fees due to Aggia related to ongoing Sadot Agri-Foods and expansion of the global agri-commodities business. Based on the initial Services Agreement with Aggia LLC FZ, a Company formed under the laws of United Arab Emirates ("Aggia"), the consulting fees were calculated at approximately 80.0% of the Net Income generated by Sadot Agri-Foods through March 31, 2023. As of April 1, 2023 the consulting agreement was amended to calculate consulting fees on 40.0% of the Net income generated by Sadot LLC. See Note 15 – Commitments and contingencies for further details. For the three months ended March 31, 2024 and 2023, \$0.8 million and \$3.4 million, respectively, are recorded as Stock-based expenses in the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally recorded on the grant date and re-measured on financial reporting dates and vesting dates until the service period is complete. The fair value amount of the award is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period.

**Advertising**

Advertising costs are charged to expense as incurred. Advertising costs of \$ 0.1 million for the three months ended March 31, 2024 and \$ 0.1 million for the three months ended March 31, 2023, respectively, are included in Sales, general and administrative expenses. For the three months ended March 31, 2024 and 2023, \$24.8 thousand and \$40.0 thousand, respectively, are included in Cost of goods sold in the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

**Net Loss per Share**

Basic loss per common share is computed by dividing net loss attributable to Sadot Group Inc. by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding, plus the impact of potential common shares, assuming all dilutive potential common shares were issued. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

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The following securities are excluded from the calculation of weighted average diluted common shares at March 31, 2024 and 2023, respectively, because their inclusion would have been anti-dilutive:

	March 31,	
	2024	2023
	'000	'000
Warrants	17,056	18,034
Options	813	1,013
RSAs	10,495	—
Convertible debt	9,501	24
<b>Total potentially dilutive shares</b>	<b>37,865</b>	<b>19,071</b>

The following table sets forth the computation of basic and dilutive net loss per share attributable to the Company's stockholders:

	Three Months Ended March 31,	
	2024	2023
<i>(In thousands, except for share count and per share data)</i>		
Net loss attributable to Sadot Group Inc.	(265)	(1,066)
<b>Weighted-average shares outstanding:</b>		
Basic	41,869,051	29,443,394
Effect of potentially dilutive stock options	—	—
Diluted	<b>41,869,051</b>	<b>29,443,394</b>
<b>Net loss per share attributable to Sadot Group Inc.:</b>		
Basic	<b>(0.01)</b>	<b>(0.04)</b>
Diluted	<b>(0.01)</b>	<b>(0.04)</b>

Major Vendor

The Company engages various vendors to purchase commodities for resale, purchase inputs for farming operations and distribute food products to their Company-owned restaurants. Purchases from the Company's five largest commodity suppliers totaled 95% for the three months ended March 31, 2024. Purchases from the Company's largest commodity supplier totaled 98% for the three months ended March 31, 2023.

Derivative Instruments

The Company is exposed to market risks primarily related to the volatility in the price of carbon credits and soybeans. To manage these risks, the Company enters into forward sales contracts to sell carbon offset units from time to time. The Company evaluates its contracts to determine if such contracts qualify as derivatives under FASB Accounting ASC 815, "Derivatives and Hedging" ("ASC 815"). Derivative instruments are recorded as either assets or liabilities measured at their fair values. As the Company's existing contracts do not qualify for hedge accounting treatment, any changes in fair value are recorded as Gain / (loss) on fair value remeasurement within "Other income / (expense)" in the Unaudited Condensed Consolidated Statement of Operations and Other Comprehensive Loss for each reporting period. Derivative assets and liabilities are classified in the balance sheet as current or non-current based on whether net-cash settlement of the derivative instrument is probable within the next 12 months from the balance sheet date. The Company does not offset its derivative assets and liabilities within the Unaudited Condensed Consolidated Balance Sheets. Changes in the fair value of derivative instruments are recorded as an adjustment to operating activities in the condensed consolidated statement of cash flows.

Refer to *Fair Value of Financial Instruments* below, Note 15 – Commitments and contingencies and Note 18 – Financial instruments for additional information regarding the Company's derivative instruments.

**Sadot Group, Inc.**  
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Derivatives are initially measured at fair value and then are subsequently remeasured to fair value at the reporting date. Forward sales contracts are derivatives that were purchased and sold at a later date at a fixed or determinable price for a specified period. Changes in fair value are recognized in Gain / (loss) on fair value remeasurement in the Consolidated Statement of Operations and Other Comprehensive Loss, as appropriate.

We use derivative financial instruments primarily for purposes of hedging exposures to fluctuations in agricultural commodity prices. We enter into these derivative contracts for periods consistent with the related underlying exposures, and the contracts do not constitute positions independent of those exposures. We do not enter into derivative contracts for speculative purposes and do not use leveraged instruments.

We record all open contract positions on our Consolidated Balance Sheets at fair value and typically do not offset these assets and liabilities. There were two open positions at March 31, 2024.

Cash flows from derivative contracts are included in Net cash provided by operating activities.

**Fair Value of Financial Instruments**

The Company measures the fair value of financial assets and liabilities based on the guidance of the FASB Accounting ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820").

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities.

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

See Note 17 – Fair value measurement for a summary of financial liabilities held at carrying amount including the Accrued compensation liability, Forward sales derivatives and the Derivative liability. For details related to the fair value of the Accrued compensation liability measured using Level 1 inputs, refer to Note 19 – Equity for details related to the fair value of the Forward sales derivatives and Derivative liability measured using Level 2 inputs, refer to Note 15 – Commitments and contingencies and Note 18 – Financial instruments.

**Income Taxes**

The Company accounts for income taxes under ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to impact taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Tax benefits claimed or expected to be claimed on a tax return are recorded in the Company's financial statements. A tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Uncertain tax positions have had no impact on the Company's

**Sadot Group, Inc.**  
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financial condition, results of operations or cash flows. The Company does not expect any significant changes in its unrecognized tax benefits within years of the reporting date.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as Sales, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

**Currency Translation Differences**

Transactions in foreign currencies are translated to the respective functional currencies of Company's at the average foreign exchange rates for income and expenses. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling as of the reporting period end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognized in the Unaudited Condensed Consolidated Statement of Operations and Other Comprehensive Loss.

The assets and liabilities of foreign operations, including farm operations and fair value adjustments arising on consolidation, are translated to the Company's reporting currency, United States Dollars, at foreign exchange rates at the reporting date. On a monthly basis, for subsidiaries whose functional currency is a currency other than the U.S. dollar, subsidiary statements of income and cash flows must be translated into U.S. dollars for consolidation purposes based on weighted-average exchange rates in each monthly period. As a result, fluctuations of local currencies compared to the U.S. dollar during each monthly period impact our consolidated statements of income and cash flows for each reported period (per quarter and year-to-date) and also affect comparisons between those reported periods.

**Non-controlling Interests**

The Company consolidates entities in which the Company has a controlling financial interest. The Company consolidates subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights. Non-controlling interests represent third-party equity ownership interests in the Company's consolidated entities. The amount of net income attributable to Non-controlling interests is disclosed in the Unaudited Condensed Consolidated Statements of Income and Other Comprehensive Loss.

**Recent Accounting Pronouncements**

In October 2021, the FASB issued ASU 2021-08 Business Combinations ("Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers", as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended subsequently by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11 and 2020-03. The guidance in the ASUs requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used. The standard also establishes additional disclosures related to credit risks. This standard is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06 Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity. Among other changes, ASU 2020-06 removes the liability and equity separation model for convertible instruments with a cash conversion feature, and

**Sadot Group, Inc.**  
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as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share and updates the disclosure requirements in ASC 470-20, making them easier to understand for financial statement preparers and improving the decision-usefulness and relevance of the information for financial statement users. The Company early adopted the new guidance from January 1, 2023, noting no material impact.

In April 2021, the FASB issued ASU 2021-04, "Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options" ("ASU 2021-04") to clarify the accounting by issuers for modifications or exchanges of equity-classified warrants. The new ASU is effective for all entities in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company adopted the new guidance from January 1, 2023, noting no material impact.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting—Improvements to Reportable Segment Disclosures (Topic 280). The standard requires incremental disclosures related to reportable segments, including disaggregated expense information and the title and position of the company's chief operating decision maker ("CODM"), as identified for purposes of segment determination. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the changes to the segment reporting guidance on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

**Subsequent Events**

The Company evaluated events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation and transactions, the Company did not identify any subsequent events that would have required adjustment or disclosure in the Financial Statements, except as disclosed in Note 21 – Subsequent events.

**3. Assets Held For Sale**

*2023 Disposal groups held for sale*

During the first quarter of 2024, the Company began actively marking the sale of Sadot food services and identifying it as a disposal group that meets the requirements of ASC 360-10. Accordingly, it was classified as held for sale in the Company's Unaudited Condensed Consolidated Balance Sheets. This current period classification resulted in the Group identifying a triggering event as it was more likely than not that these asset groups would be disposed of under ASC 350-20. For more details over the resulting impairment test performed prior to measuring the disposal group at the lower of their carrying amount or fair value less cost to sell, see Note 8 – Goodwill and other intangible assets, net.

The following presents the major classes of assets and liabilities for the Sadot food services reporting unit held for sale as of March 31, 2024:

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	As of
	March 31, 2024
	\$'000
Cash	265
Accounts receivable, net	260
Inventory	177
Other current assets	135
Right to use assets	887
Property and equipment, net	647
Goodwill	1,798
Intangible assets, net	2,715
Other non-current assets	66
Assets held for sale	6,950
Accounts payable and accrued expenses	321
Notes payable, current, net	121
Operating lease liability, current	272
Deferred revenue, current	118
Other current liabilities	230
Notes payable, non-current	601
Operating lease liability, non-current	681
Deferred revenue, non-current	1,408
Liabilities held for sale	3,752

Sadot Food Services had the following pre-tax losses for each quarter ended March 31:

Sadot Food Services Net Loss Before Income Tax	\$'000
	2024 (1,090)
	2023 (406)

#### 4. Allowance for Credit Losses on Accounts Receivable

At March 31, 2024 and December 31, 2023, a summary of the activity in the allowance for credit losses on accounts receivable appears below:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Balance at beginning of period	173	23
Adjustments related to Sadot food services	—	72
Adjustments related to Sadot agri-foods	76	78
Balance at end of period	249	173

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**5. Other Current Assets**

In the first quarter of 2024, the Company transferred \$ 0.1 million of other current assets to Assets held for sale. See Note 3 – Assets held for sale for additional information.

At March 31, 2024 and December 31, 2023, the Company's other current assets consists of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Prepaid expenses	205	766
Other receivables	25	7
Contract assets - current	47,180	47,180
Forward sales derivative	4,750	1,491
Notes receivable, current	—	148
Prepaid forward on carbon offsets	6,424	6,424
<b>Other Current Assets</b>	<b>58,584</b>	<b>56,016</b>

**6. Other Non-Current Assets**

In the first quarter of 2024, the Company transferred \$ 0.1 million of other non-current assets to Assets held for sale. See Note 3 – Assets held for sale for additional information.

At March 31, 2024 and December 31, 2023, the Company's other non-current assets consists of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Security deposit	—	76
Notes receivable, non-current	—	26
Contract assets, non-current	46,340	46,340
<b>Other non-current assets</b>	<b>46,340</b>	<b>46,442</b>

**Sadot Group, Inc.**  
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## 7. Property and Equipment, Net

In the first quarter of 2024, the Company transferred \$ 0.6 million of Property and equipment to Assets held for sale. See Note 3 – Assets held for sale for additional information.

As of March 31, 2024 and December 31, 2023, Property and equipment consist of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Furniture and equipment	218	1,026
Vehicles	215	270
Leasehold improvements	—	877
Land and land improvements	11,766	11,766
Construction in process	4	—
Property and equipment, gross	12,203	13,939
Less: accumulated depreciation	(242)	(1,056)
Property and equipment, net	<u>11,961</u>	<u>12,883</u>

Depreciation expense amounted to \$0.2 million for the three months ended March 31, 2024 and \$ 0.3 million during the three months ended March 31, 2023, respectively. The Company wrote off Property and equipment related to closed locations and future locations that were terminated due to a change of business focus and recorded a loss on disposal of \$0.1 million and nil for the three months ended March 31, 2024 and 2023, respectively, in the Unaudited Condensed Statement of Operations and Comprehensive Income.

## 8. Goodwill and Other Intangible Assets, Net

The Company's intangible assets include trademarks, franchisee agreements, franchise license, domain names, customer list, proprietary recipes and non-compete agreements. Intangible assets are amortized over useful lives ranging from 2 to 13 years. In the first quarter of 2024, the Company moved the remaining intangible assets to assets held for sale and as a result of the reclassification, the Company stopped amortizing these assets. See Note 3 – Assets held for sale for additional information.

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**Sadot Group, Inc.**  
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A summary of the intangible assets is presented below:

	Intangible assets, net at December 31, 2022			Intangible assets, net at March 31, 2023			Intangible assets, net at March 31, 2024		
	Intangible assets	Impairment of intangible assets	Amortization expense	Intangible assets	Impairment of intangible assets	Amortization expense	Transfer to assets held for sale	Intangible assets, net at March 31, 2024	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Trademark Muscle Maker Grill	670	—	(83)	587	—	—	—	—	
Franchise Agreements									
Muscle Maker Grill	136	—	(7)	129	—	—	—	—	
Trademark SuperFit	29	—	(2)	27	—	—	—	—	
Domain Name SuperFit	81	—	(6)	75	—	—	—	—	
Customer List SuperFit	90	—	(7)	83	—	—	—	—	
Proprietary Recipes									
SuperFit	103	—	(8)	95	—	—	—	—	
Non-Compete Agreement SuperFit	107	—	(21)	86	—	—	—	—	
Trademark Pokemoto	118	—	(9)	109	83	—	(9)	(74)	
Franchisee License Pokemoto	2,322	—	(68)	2,254	2,045	—	(69)	(1,976)	
Proprietary Recipes Pokemoto	867	—	(40)	827	705	—	(40)	(665)	
Non-Compete Agreement Pokemoto	88	—	(59)	29	—	—	—	—	
	<b>4,611</b>	<b>—</b>	<b>(310)</b>	<b>4,301</b>	<b>2,833</b>	<b>—</b>	<b>(118)</b>	<b>(2,715)</b>	

Amortization expense related to intangible assets was \$ 0.1 million and \$0.3 million for the three months ended March 31, 2024 and 2023, respectively.

A summary of the goodwill assets is presented below:

	Muscle Maker Grill	Pokemoto	SuperFit Food	Total	
				\$'000	\$'000
Goodwill, net at December 31 2022	570	1,798	258	2,626	
Impairment of goodwill	—	—	—	—	
Goodwill, net at March 31, 2023	570	1,798	258	2,626	
Goodwill, net at December 31 2023	—	1,798	—	1,798	
Transfer to assets held for sale	—	(1,798)	—	(1,798)	
Goodwill, net at March 31, 2024	—	—	—	—	

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

## 9. Accounts Payables and Accrued Expenses

In the first quarter of 2024, the Company transferred \$ 0.3 million of Accounts payables and accrued expenses to Assets held for sale. See Note 3 – Assets held for sale for additional information.

Accounts payables and accrued expenses consist of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Accounts payable	3,294	3,488
Accrued payroll and bonuses	575	756
Accrued expenses	90	204
Accrued interest expenses	5	77
Accrued professional fees	214	255
Accounts payable commodities	19,161	45,342
Accrued purchases	—	17
Sales taxes payable	3	28
	<u>23,342</u>	<u>50,167</u>

## 10. Notes Payable

### *Line of Credit*

On September 22, 2023, the Company entered into the Standby Equity Purchase Agreement ("SEPA") with YA II PN, LTD, a Cayman Islands exempt limited partnership ("Yorkville") pursuant to which the Company has the right to sell to Yorkville up to \$25 million of its shares of common stock, subject to certain limitations and conditions set forth in the SEPA, from time to time during the term of the SEPA. Sales of the shares of common stock to Yorkville under the SEPA, and the timing of any such sales, are at the Company's option, and the Company is under no obligation to sell any shares of common stock to Yorkville under the SEPA except in connection with notices that may be submitted by Yorkville, in certain circumstances as described below.

Upon the satisfaction of the conditions to Yorkville's purchase obligation set forth in the SEPA, including having a registration statement registering the resale of the shares of common stock issuable under the SEPA declared effective by the SEC, the Company will have the right, but not the obligation, from time to time at its discretion until the SEPA is terminated to direct Yorkville to purchase a specified number of shares of common stock ("Advance") by delivering written notice to Yorkville ("Advance Notice"). While there is no mandatory minimum amount for any Advance, it may not exceed an amount equal to 100% of the average of the daily traded amount during the five consecutive trading days immediately preceding an Advance Notice.

The shares of common stock purchased pursuant to an Advance delivered by the Company will be purchased at a price equal to 97% of the lowest daily VWAP of the shares of common stock during the three consecutive trading days commencing on the date of the delivery of the Advance Notice, other than the daily VWAP on a day in which the daily VWAP is less than a minimum acceptable price as stated by the Company in the Advance Notice or there is no VWAP on the subject trading day. The Company may establish a minimum acceptable price in each Advance Notice below which the Company will not be obligated to make any sales to Yorkville. "VWAP" is defined as the daily volume weighted average price of the shares of common stock for such trading day on the Nasdaq Stock Market during regular trading hours as reported by Bloomberg L.P. Accordingly, as may otherwise be limited by Yorkville's 4.99% beneficial ownership limitation, assuming the Company submits an Advance requiring Yorkville to provide \$ 100,000 in funding and assuming an applicable VWAP of \$1.10 and, in turn, a purchase price of \$ 1.067 (97% of the VWAP), the Company would be required to issue 93,720 shares of common stock and Yorkville would receive a profit of approximately \$ 0.03201 per share, or approximately \$ 2,999.98, if it sold all of such shares at \$1.10 per share.

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In connection with the SEPA, and subject to the condition set forth therein, Yorkville has agreed to advance to the Company in the form of convertible promissory notes (the "Convertible Notes") an aggregate principal amount of \$4.0 million (the "Pre-Paid Advance"). The Pre-Paid Advance was disbursed on September 22, 2023 with respect to \$3.0 million and the balance of \$1.0 million will be disbursed upon the registration statement registering the resale of the shares of common stock issuable under the SEPA being declared effective. The purchase price for the Pre-Paid Advance is 94.0% of the principal amount of the Pre-Paid Advance. Interest shall accrue on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 6.0%, subject to an increase to 18% upon an event of default as described in the Convertible Notes. The maturity date will be 12-months after the initial closing of the Pre-Paid Advance. Yorkville may convert the Convertible Notes into shares of the Company's common stock at a conversion price equal to the lower of \$1.11495 or 95% of the lowest daily VWAP during the seven consecutive trading days immediately proceeding the conversion (the "Conversion Price"), which in no event may the Conversion Price be lower than \$0.33 (the "Floor Price"). In addition, upon the occurrence and during the continuation of an event of default, the Convertible Notes shall become immediately due and payable and the Company shall pay to Yorkville the principal and interest due thereunder. In no event shall Yorkville be allowed to effect a conversion if such conversion, along with all other shares of common stock beneficially owned by Yorkville and its affiliates would exceed 4.99% of the outstanding shares of the common stock of the Company. If any time on or after October 22, 2023 (i) the daily VWAP is less than the Floor Price for seven trading days during a period of nine consecutive trading days ("Floor Price Trigger"), or (ii) the Company has issued in excess of 99% of the shares of common stock available under the Exchange Cap ("Exchange Cap Trigger" and collectively with the Floor Price Trigger, the "Trigger")), then the Company shall make monthly payments to Yorkville beginning on the seventh trading day after the Trigger and continuing monthly in the amount of \$500,000 plus an 8.0% premium and accrued and unpaid interest. The Exchange Cap Trigger will not apply in the event the Company has obtained the approval from its stockholders in accordance with the rules of Nasdaq Stock Market for the issuance of shares of common stock pursuant to the transactions contemplated in the Convertible Note and the SEPA in excess of 19.99% of the aggregate number of shares of common stock issued and outstanding as of the effective date of the SEPA (the "Exchange Cap"). No triggering event occurred as of March 31, 2024. As of March 31, 2024, 3.9 million shares of common stock have been converted leaving an aggregate principle balance remaining of 2.7 million.

**Notes Payable**

During the three months ended March 31, 2024 and 2023, the Company repaid a total amount of \$ 4.3 million and \$0.1 million, respectively, of the notes payable.

As of March 31, 2024, the Company had an aggregate amount of \$ 3.6 million in notes payable. The notes had interest rates ranging between 6.00% - 24.39% per annum, due on various dates through September 2024.

In the first quarter of 2024, the Company transferred \$ 0.7 million of notes payable to Assets held for sale. See Note 3 – Assets held for sale for additional information.

The maturities of notes payable as of March 31, 2024, are as follows:

	<b>Principal Amount</b>
	\$'000
1/1/24-12/31/24	3,739
1/1/25-12/31/25	—
1/1/26-12/31/26	—
1/1/27-12/31/27	—
Thereafter	—
Total maturities	3,739
<i>Less discount</i>	(99)
Notes payable, net	<u><u>3,640</u></u>

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**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**11. Leases Held for Sale**

The Company's leases consist of restaurant locations. We determine if a contract contains a lease at inception. The leases generally have remaining terms of 1-10 years and most leases included the option to extend the lease for an additional 5 years.

The total lease cost associated with right of use assets and operating lease liabilities for the three months ended March 31, 2024 and 2023, was \$ 0.1 million and \$0.1 million, respectively, and has been recorded in the Unaudited Condensed Consolidated Statement of Operations and Other Comprehensive Loss as Cost of goods sold.

In the first quarter of 2024 all of the Company's leased assets of \$ 0.9 million and lease liabilities of \$ 1.0 million were moved to Assets held for sale. See Note 3 – Assets held for sale for additional information.

The assets and liabilities related to the Company's leases were as follows:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
<b>Assets</b>		
Right to use asset	887	1,284
Transferred to assets held for sale	(887)	—
Total lease assets	—	1,284
<b>Liabilities</b>		
Operating leases – current	272	385
Operating leases – non-current	681	1,027
Transferred to liabilities held for sale	(953)	—
Total lease liabilities	—	1,412

The table below presents the future minimum lease payments under the noncancelable operating leases as of March 31, 2024:

	Operating Leases	
	\$'000	
<b>Fiscal Year:</b>		
2024	287	
2025	280	
2026	139	
2027	143	
2028	137	
Thereafter	304	
Total lease payments	1,290	
<i>Less imputed interest</i>	(337)	
<i>Less assets transferred to held for sale</i>	(953)	
Present value of lease liabilities	—	

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The Company's lease term and discount rates were as follows:

	As of March 31, 2024
Weighted-average remaining lease term (in years)	
Operating leases	5.11
Weighted-average discount rate	
Operating leases	12.0 %

## 12. Deferred Revenue

In the first quarter of 2024, the Company transferred \$ 1.5 million of deferred revenue to Liabilities held for sale. See Note 3 – Assets held for sale for additional information.

The Company's deferred revenue consists of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Deferred revenues, net	2,457	2,784
Less: deferred revenue, current	(2,165)	(1,229)
Deferred revenues, non-current	<u>292</u>	<u>1,555</u>

Deferred revenue related to commodity forward sales contracts were \$ 2.5 million and \$1.4 million, as of March 31, 2024 and December 31, 2023, respectively. Deferred revenue related to deferred franchise fees were nil and \$1.4 million, as of March 31, 2024 and December 31, 2023, respectively.

## 13. Other Current Liabilities

In the first quarter of 2024, the Company transferred \$ 0.2 million of other current liabilities to Liabilities held for sale. See Note 3 – Assets held for sale for additional information.

Other current liabilities consist of the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Gift card liability	—	13
Co-op advertising fund liability	—	114
Marketing development brand liability	—	68
Advertising fund liability	—	29
Derivative liability	65	—
Contract liabilities, current	<u>46,046</u>	<u>46,046</u>
	<u>46,111</u>	<u>46,270</u>

See Note 2 – Significant accounting policies for details related to the gift card liability and advertising fund liability.

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**14. Income Taxes**

The tax effects of temporary differences that give rise to deferred tax assets and liabilities as of March 31, 2024 and December 31, 2023 are presented below:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	12,341	11,890
Receivable allowance	56	37
Stock-based compensation	46	20
Intangible assets	719	727
163(j) adjustment	201	100
Accrued expenses	86	106
Capitalized costs	8	4
Deferred revenues	351	310
Leases	206	301
<b>Gross deferred tax asset</b>	<b>14,014</b>	<b>13,495</b>
<b>Deferred tax liabilities:</b>		
Property and equipment	(11)	(60)
Leases	(192)	(274)
Unrealized gains	(1,025)	(317)
<b>Gross deferred tax liabilities</b>	<b>(1,228)</b>	<b>(651)</b>
<b>Net deferred tax assets</b>	<b>12,786</b>	<b>12,844</b>
Valuation allowance	(12,786)	(12,844)
<b>Net deferred tax asset, net of valuation allowance</b>	<b>—</b>	<b>—</b>

The income tax expense for the periods shown consist of the following:

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
<b>Federal:</b>		
Current	—	—
Deferred	—	—
<b>State and local:</b>		
Current	1	3
Deferred	—	—
	1	3
Change in valuation allowance	—	—
<b>Income tax expense</b>	<b>1</b>	<b>3</b>

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A reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the periods shown, are as follows:

	As of	
	March 31, 2024	December 31, 2023
Federal income tax benefit at statutory rate	21.0 %	21.0 %
State income tax benefit, net of federal impact	(0.5)%	1.1 %
Permanent differences	(2.0)%	(0.3) %
Return to provision adjustments	(38.6)%	0.5 %
Warrant modification expense	— %	(2.5) %
Fair value gain/loss on share issuance	— %	3.6 %
Other	(2.3)%	— %
Change in valuation allowance	21.9 %	(23.2) %
<b>Effective income tax rate</b>	<b>(0.5)%</b>	<b>0.2 %</b>

The Company has filing obligations in what it considers its U.S. major tax jurisdictions as follows: Connecticut, Kansas, Florida, Texas, Virginia, New York State and New York City. The earliest year that the Company is subject to examination is the year ended December 31, 2015.

The Company has approximately \$53.1 million of Federal and State Net operating loss ("NOLs") available to offset future taxable income. The net operating loss carryforwards generated prior to 2018, if not utilized, will expire from 2035 to 2037 for federal and state purposes.

As of March 31, 2024 and December 31, 2023, the Company has determined that it is more likely than not that the Company will not recognize the future tax benefit of the loss carryforwards and has recognized a valuation allowance of \$12.8 million and \$12.8 million, respectively. The valuation allowance decreased by approximately \$58.0 thousand.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and similar state provisions. Generally, in addition to certain entity reorganizations, the limitation applies when one or more "5 percent stockholders" increase their ownership, in the aggregate, by more than 50 percentage points over a 36-month time period or beginning the day after the most recent ownership change, if shorter.

## **15. Commitments and Contingencies**

### Forward Purchase and Sales Contracts

On September 12, 2023, the Company through Sadot Agri-Foods, entered into a forward purchase contract titled the Verified Emissions Reduction Purchase Agreement ("VERPA") for the acquisition of Verified Carbon Units ("VCUs") generated by a conservation project along the Riau coastline in Indonesia ("conservation project"). Under the VERPA, Sadot Agri-Foods will acquire 180,000 VCUs between 2025 and 2027 as issued. Delivery of VCUs to Sadot Agri-Foods is expected within 14 days from credit issuance annually, where such delivery will occur no later than December of each respective year. The acquisition price for these VCUs is \$35.69 per VCU, or \$6.4 million in the aggregate, which was paid on September 23, 2023. The aggregate purchase price paid of \$6.4 million was recorded on the balance sheet within the "Prepaid forward on carbon offsets" account.

On September 13, 2023, the Company through Sadot Agri-Foods, entered into a separate forward sales agreement pursuant to which the purchaser agreed to acquire 180,000 VCUs between 2025 and 2026 for an acquisition price of \$ 44.62 per VCU, or \$8.0 million. The VCUs are expected to be generated as part of the conservation project. The VCUs would be delivered within 14 days from credit issuance annually, where such delivery will occur no later than December of each respective year. Payment for these VCUs would not be required until 2025 at the earliest, within 10 days of VCU issuance. However, Sadot Agri-Foods has the right to repurchase any VCUs during the term of this forward contract at the then current market price (based on the prices reported by an independent marketplace). This contract was determined to be a derivative in accordance with ASC 815.

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On November 24, 2023, the Company through Sadot Agri-Foods, entered into a forward sale contract for the sale of 70,000 Metric Tons ("MTs") of soybeans. Sadot Agri-Foods will provide 70,000 MTs to a third-party in May 2025, which is the executed contract date. The acquisition price for these MTs is \$662 per MT, or \$46.3 million in the aggregate. This contract was determined to be a derivative in accordance with ASC 815.

On December 6, 2023, the Company through Sadot Agri-Foods, entered into a forward sale contract for the sale of 70,000 Metric Tons ("MTs") of soybeans. Sadot Agri-Foods will provide 70,000 MTs to a third-party in November/December 2024, which is the executed contract date. The acquisition price for these MTs is \$674 per MT, or \$47.2 million in the aggregate. This contract was determined to be a derivative in accordance with ASC 815.

Refer to Note 2 – Significant accounting policies, Note 17 – Fair value measurement and Note 18 – Financial instruments for additional information regarding the Derivative liability.

**Consulting Agreements**

On November 14, 2022 (the "Effective Date"), the Company, Sadot LLC and Aggia LLC FC, a company formed under the laws of United Arab Emirates ("Aggia") entered into a Services Agreement (the "Services Agreement") whereby Sadot LLC engaged Aggia to provide certain advisory services to Sadot Agri-Food for creating, acquiring and managing Sadot Agri Food's business of wholesaling food and engaging in the purchase and sale of physical food commodities.

As consideration for Aggia providing the services to Sadot Agri-Food, the Company agreed to issue shares of common stock of the Company, par value \$0.0001 per share, to Aggia subject to Sadot Agri-Food generating net income measured on a quarterly basis at per share price of \$ 1.5625, subject to equitable adjustments for any combinations or splits of the common stock occurring following the Effective Date. Upon Sadot Agri-Food generating net income for any fiscal quarter, the Company shall issue Aggia a number of shares of common stock equal to the net income for such fiscal quarter divided by the per share price (the "Shares"). The Company may only issue authorized, unreserved shares of common stock. The Company will not issue Aggia in excess of 14.4 million shares representing 49.9% of the number of issued and outstanding shares of common stock as of the Effective Date. In the event that the shares cap has been reached, then the remaining portion of the net income, if any, not issued as shares shall accrue as debt payable by Sadot Group to Aggia until such debt has reached a maximum of \$71.5 million. The Company will prepare the shares earned calculation after the annual audit or quarter review is completed by the auditors. The shares will be issued within 10 days of the final calculation.

On July 14, 2023 (the "Addendum Date"), effective April 1, 2023, the parties entered into Addendum 2 to the Services Agreement ("Addendum 2") pursuant to which the parties amended the compensation that Aggia is entitled.

Pursuant to Addendum 2, on the Addendum Date, the Company issued 8.9 million shares (the "Shares") of common stock, par value \$0.0001 per share, of the Company, which such Shares represent 14.4 million Shares that Aggia is entitled to receive pursuant to the Services Agreement less the 5.6 million Shares that have been issued to Aggia pursuant to the Services Agreement as of the Addendum Date. The Company will not issue Aggia in excess of 14.4 million Shares representing 49.9% of the number of issued and outstanding shares of common stock as of the effective date of the Services Agreement. The Shares shall be considered issued and outstanding as of the Addendum Date and Aggia shall hold all rights associated with such Shares. The Shares vest on a progressive schedule, at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$ 1.25. During the 30 day period after July 14, 2028 (the "Share Repurchase Date"), Aggia may purchase any Shares not vested. All Shares not vested or purchased by Aggia, shall be repurchased by the Company from Aggia at per share price of \$0.001 per share. Further, the parties clarified that the Lock Up Agreement previously entered between the Company and Aggia dated November 16, 2022 shall be terminated on May 16, 2024 provided that any Shares that have not vested or been purchased by Aggia may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly. Following the Share Repurchase Date, in the event that there is net income for any fiscal quarter, then an amount equal to 40% of the net income shall accrue as debt payable by Sadot Group to Aggia (the "Debt"), until such Debt has reached a maximum of \$ 71.5 million.

Additionally, for the three months ended March 31, 2024, the Company reimbursed Aggia for all operating costs related to Sadot Agri-Foods' operating expenses including labor and operating expenses and general administrative expenses of \$0.9 million, \$0.1 million and nil, respectively. For the three months ended March 31, 2023, operating costs related to Sadot Agri-Foods' operating expenses including labor and operating expenses and general administrative expenses were \$0.6 million, \$0.2 million and \$0.1 million, respectively.

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**Franchising**

During the three months ended March 31, 2024 and 2023, the Company entered into various Pokemoto franchise agreements for a total of 15 and 5, respectively, potentially new Pokemoto locations with various franchisees. The Franchisees paid the Company an aggregate of \$0.2 million for the three months ended March 31, 2024 and this has been recorded in liabilities held for sale as of March 31, 2024. See Note 3 – Assets held for sale for additional information.

**Master Franchise Agreement**

On October 25, 2021, Muscle Maker Development International LLC ("MMDI"), a wholly-owned subsidiary of the Company, entered into a Master Franchise Agreement (the "Master Franchise Agreement") with Almatrouk Catering Company – OPC ("ACC") providing ACC with the right to grant franchises for the development of 40 "Muscle Maker Grill" restaurants through December 31, 2030 (the "Term") in the Kingdom of Saudi Arabia ("KSA").

Under the Master Franchise Agreement, MMDI has granted to ACC an exclusive right to establish and operate Muscle Maker restaurants in the KSA. MMDI will not own or operate restaurants in KSA, grant franchises for the restaurants in KSA, or grant Master Franchise Rights for the restaurants to other persons within the KSA. ACC will be solely responsible for the development, sales, marketing, operations, distribution and training of all franchise locations sold in the KSA.

ACC is required to pay MMDI \$0.2 million pursuant to the Master Franchise Agreement upon the occurrence of various events. ACC is required to pay MMDI \$20.0 thousand upon the execution of each franchise agreement for each individual restaurant and a monthly royalty fee of \$ 1.0 thousand for each restaurant. Further, ACC is to adhere to the agreed upon development schedule as outlined in the master franchise agreement. An initial \$ 20.0 thousand deposit was paid on the agreement. ACC has not performed against this agreement.

**Sales Taxes**

The Company had accrued a sales tax liability for approximately \$ 33.0 thousand and \$28.0 thousand as of March 31, 2024, and December 31, 2023, respectively. All current state and local sales taxes from January 1, 2018, for open Company-owned locations have been fully paid and in a timely manner.

**Litigations, Claims and Assessments**

On January 23, 2020, the Company was served a judgment issued by the Judicial Council of California in the amount of \$ 0.1 million for a breach of a lease agreement in Chicago, Illinois, in connection with a Company-owned store that was closed in 2018. As of December 31, 2023, the Company has accrued for the liability in accounts payable and accrued expenses.

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. In the opinion of management after consulting legal counsel, such matters are currently not expected to have a material impact on the Company's financial statements.

The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements after consulting legal counsel.

**Employment Agreements**

On November 16, 2022, the Company entered into an Executive Employment Agreement with Michael Roper (the "Roper Agreement"), which replaced his prior employment agreement. Pursuant to the Roper Agreement, Mr. Roper will continue to be employed as Chief Executive Officer of the Company on an at-will-basis. During the term of the Roper Agreement, Mr. Roper is entitled to a base salary at the annualized rate of \$0.4 million. Mr. Roper will be eligible for a discretionary performance bonus to be determined by the Board annually. Mr. Roper received an additional bonus of \$0.1 million on March 2, 2023 and an additional \$25.0 thousand which was paid on March 8, 2024, relating to the appointment of certain directors pursuant to the agreement with Aggia. If Mr. Roper is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any

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equity compensation rights through the last day of the term applicable to such stock option. If Mr. Roper is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Roper will be entitled to a severance payment equal to 36 months of salary, which will be reduced to 18 months following the second anniversary of the Roper Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Roper Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On March 21, 2023, the Company entered into an Executive Employment Agreement with Jennifer Black (the "Black Agreement"), which replaced her prior employment agreement. Pursuant to the Black Agreement, Ms. Black will continue to be employed as Chief Financial Officer of the Company on an at-will-basis. During the term of the Black Agreement, Ms. Black is entitled to a base salary at the annualized rate of \$0.3 million. Ms. Black will be eligible for a discretionary performance bonus up to 50% of her annual salary. Ms. Black received an additional bonus of \$ 0.1 million on March 2, 2023 and an additional \$25.0 thousand which was paid on March 8, 2024, relating to the appointment of certain directors pursuant to the agreement with Aggia. If Ms. Black is terminated for any reason, she will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Ms. Black is terminated by the Company for any reason other than cause or resigns for a good reason, Ms. Black will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Black Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Black Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Kenn Miller (the "Miller Agreement"), which replaced his prior employment agreement. Pursuant to the Miller Agreement, Mr. Miller will continue to be employed as Chief Operating Officer of the Company on an at-will-basis. During the term of the Miller Agreement, Mr. Miller is entitled to a base salary at the annualized rate of \$0.3 million. Mr. Miller will be eligible for a discretionary performance bonus up to 75% of his annual salary. Further, Mr. Miller will be entitled to an additional bonus of \$ 25.0 thousand which was paid on March 8, 2024, relating to the appointment of certain directors pursuant to the agreement with Aggia. If Mr. Miller is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Mr. Miller is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Miller will be entitled to a severance payment equal to 36 months of salary, which will be reduced to 12 months following the second anniversary of the Miller Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Miller Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Kevin Mohan (the "Mohan Agreement"), which replaced his prior employment agreement. Pursuant to the Mohan Agreement, Mr. Mohan will continue to be employed as Chief Investment Officer of the Company on an at-will-basis. During the term of the Employment Agreement, Mr. Mohan is entitled to a base salary at the annualized rate of \$0.2 million. Mr. Mohan will be eligible for a discretionary performance bonus up to 75% of his annual salary. Mr. Mohan received an additional bonus of \$ 0.1 million on March 2, 2023 and an additional \$25.0 thousand which was paid on March 8, 2024, relating to the appointment of certain directors pursuant to the agreement with Aggia. If Mr. Mohan is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Mr. Mohan is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Mohan will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Mohan Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Mohan Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Aimee Infante (the "Infante Agreement"), which replaced her prior employment agreement. Pursuant to the Infante Agreement, Ms. Infante will continue to be employed as Chief Marketing Officer of the Company on an at-will-basis. During the term of the Infante Agreement, Ms. Infante is entitled to a base salary at the annualized rate of \$0.2 million. Ms. Infante will be eligible for a discretionary performance bonus up to 25% of her annual salary. Further, Ms. Infante will be entitled to an additional

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bonus of \$25.0 thousand which was paid on March 8, 2024, relating to the appointment of certain directors pursuant to the agreement with Aggia. If Ms. Infante is terminated for any reason, she will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Ms. Infante is terminated by the Company for any reason other than cause or resigns for a good reason, Ms. Infante will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Infante Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Infante Agreement will automatically terminate, and the prior employment agreement will again be in full effect.

**NASDAQ Notice**

On November 7, 2023, the Company received notice from The Nasdaq Stock Market ("Nasdaq") that the closing bid price for the Company's common stock had been below \$1.00 per share for the previous 30 consecutive business days, and that the Company is therefore not in compliance with the minimum bid price requirement for continued inclusion on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2) (the "Rule").

Nasdaq's notice has no immediate effect on the listing or trading of the Company's common stock on The Nasdaq Capital Market.

The notice indicates that the Company will have 180 calendar days, until May 6, 2024, to regain compliance with this requirement. On April 29, 2024, the Company submitted a request to Nasdaq requesting an additional 180 days to regain compliance. On May 7, 2024, the Company received notice from Nasdaq that the request for an additional 180 days to regain compliance was approved. The Company can regain compliance with the \$1.00 minimum bid listing requirement if the closing bid price of its common stock is at least \$1.00 per share for a minimum of ten (10) consecutive business days during the 180-day compliance period. To qualify, the Company will be required to meet the continued listing requirement for market value of our publicly held shares and all other Nasdaq initial listing standards, except the bid price requirement, and will need to provide written notice to Nasdaq of its intention to cure the deficiency during the second compliance period. If the Company is not eligible or it appears to Nasdaq that the Company will not be able to cure the deficiency during the second compliance period, Nasdaq will provide written notice to the Company that the Company's common stock will be subject to delisting. In the event of such notification, the Company may appeal Nasdaq's determination to delist its securities, but there can be no assurance that Nasdaq would grant the Company's request for continued listing.

The Company intends to actively monitor the minimum bid price of its common stock and may, as appropriate, consider available options to regain compliance with the Rule. There can be no assurance that the Company will be able to regain compliance with the Rule or will otherwise be in compliance with other Nasdaq listing criteria.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**16. Reportable Operating Segments**

See Note 1 – Business organization and nature of operations for descriptions of our operating segments.

The following table sets forth the results of operations for the relevant segments for the three months ended March 31, 2024:

	For the Three Months Ended March 31, 2024			
	Sadot food service	Sadot agri-foods	Corporate adj.	Total segments
	\$'000	\$'000	\$'000	\$'000
Commodity sales	—	106,507	—	106,507
Company restaurant sales, net of discounts	1,157	—	—	1,157
Franchise royalties and fees	257	—	—	257
Franchise advertising fund contributions	15	—	—	15
Cost of goods sold	(1,331)	(106,945)	—	(108,276)
<b>Gross (loss) profit</b>	<b>98</b>	<b>(438)</b>	—	<b>(340)</b>
Depreciation and amortization expenses	(189)	(91)	—	(280)
Franchise advertising fund expenses	(15)	—	—	(15)
Post-closing expenses	(19)	—	—	(19)
Stock-based expenses	—	—	(796)	(796)
Sales, general and administrative expenses	(703)	(731)	(662)	(2,096)
<b>Loss from operations</b>	<b>(828)</b>	<b>(1,260)</b>	<b>(1,458)</b>	<b>(3,546)</b>
Interest income / (expense), net	(262)	(407)	179	(490)
Change in fair value of stock-based compensation	—	—	476	476
Gain on fair value remeasurement	—	3,259	—	3,259
Loss on sale of trading securities	—	(11)	—	(11)
<b>(Loss) / Income Before Income Tax</b>	<b>(1,090)</b>	<b>1,581</b>	<b>(803)</b>	<b>(312)</b>
Income tax expense	—	—	1	1
<b>Net (loss) / income</b>	<b>(1,090)</b>	<b>1,581</b>	<b>(804)</b>	<b>(313)</b>
<b>Total assets</b>	<b>6,950</b>	<b>142,673</b>	<b>904</b>	<b>150,527</b>

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**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

The following table sets forth the results of operations for the relevant segments for the three months ended March 31, 2023:

	For the Three Months Ended March 31, 2023			
	Sadot food service	Sadot agri-foods	Corporate adj.	Total segments
	\$'000	\$'000	\$'000	\$'000
Commodity sales	—	210,366	—	210,366
Company restaurant sales, net of discounts	2,301	—	—	2,301
Franchise royalties and fees	284	—	—	284
Franchise advertising fund contributions	16	—	—	16
Cost of goods sold	<u>(2,465)</u>	<u>(205,829)</u>	—	<u>(208,294)</u>
<b>Gross (loss) profit</b>	<b>136</b>	<b>4,537</b>	—	<b>4,673</b>
Depreciation and amortization expenses	(633)	—	—	(633)
Franchise advertising fund expenses	(16)	—	—	(16)
Pre-opening expenses	(36)	—	—	(36)
Post-closing expenses	(94)	—	—	(94)
Stock-based expenses	—	—	(3,359)	(3,359)
Sales, general and administrative expenses	<u>(82)</u>	<u>(286)</u>	<u>(1,774)</u>	<u>(2,142)</u>
<b>Loss from operations</b>	<b>(725)</b>	<b>4,251</b>	<b>(5,133)</b>	<b>(1,607)</b>
Interest income, net	3	—	—	3
Change in fair value of stock-based compensation	—	—	541	541
<b>Loss Before Income Tax</b>	<b>(722)</b>	<b>4,251</b>	<b>(4,592)</b>	<b>(1,063)</b>
Income tax expense	1	—	2	3
<b>Net loss</b>	<b>(723)</b>	<b>4,251</b>	<b>(4,594)</b>	<b>(1,066)</b>
<b>Total assets</b>	<b>8,711</b>	<b>45,853</b>	<b>8,034</b>	<b>62,598</b>

During the first quarter of Fiscal 2024, assets related to our Sadot food services segment met the criteria for classification as Assets Held for Sale. For additional information, see Note 2 – Significant accounting policies and Note 3 – Assets held for sale.

With the creation of our Sadot LLC subsidiary in late 2022, we began to transform from a U.S.-centric restaurant business into a global, food-focused organization with two distinct segments. As a result, we have reevaluated and changed our operating segments late in 2023 to align with our 2 distinct segments. Previously we split out Muscle Maker Grill, Pokemoto, and SuperFit Foods as their own restaurant operating segments. With the transformation of our business into a global, food-focused organization, we operate the business in 2 distinct business segments Sadot Agri-Foods and Sadot Food Service.

The Company will continue to evaluate its operating segments and update as necessary.

#### 17. Fair Value Measurement

The following tables presents information about the Company's assets and liabilities that are measure at fair value on a recurring basis at March 31, 2024 and December 31, 2023 and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities:</b>	\$'000	\$'000	\$'000	\$'000
Contract liability	—	92,094	—	92,094
Derivative liability	—	65	—	65
Forward sales derivatives	—	4,750	—	4,750
	—	96,909	—	96,909

  

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial liabilities:</b>	\$'000	\$'000	\$'000	\$'000
Contract liability	—	92,094	—	92,094
Forward sales derivatives	—	1,491	—	1,491
	—	93,585	—	93,585

There were no transfers between fair value levels during the three months ended March 31, 2024.

See Note 19 – Equity for details related to accrued compensation liability being fair valued using Level 1 inputs.

See Note 15 – Commitments and contingencies and Note 18 – Financial instruments for details related to the Derivative liability being fair valued using Level 2 inputs.

*Forward Sales Derivative and Derivative Liability*

The Forward sales derivative asset and Derivative liability primarily relate to the forward sale contracts. The fair value of the Forward sales derivative asset and Derivative liability is based on quoted prices for similar assets and liabilities in active market or inputs that are observable which represent Level 2 measurements within the fair value hierarchy and is based on observable prices for similar assets sourced by an independent marketplace. The Forward sales derivative refers to the forward sales contracts executed in September, November and December 2023. Refer to 15 – Commitments and contingencies, for a more detailed discussion of the transactions. During the three months ended March 31, 2024, the fair value increased by \$3.3 million. Please refer to Note 2 – Significant accounting policies for additional information on ASC 815 leveling.

**18. Financial Instruments**

Concentration of Credit Risk

*Commodity Price Risk*

The Company uses a combination of purchase orders and various long and short-term supply arrangements in connection with the purchase of corn, soybean and soybean products including certain commodities and agricultural products. We also enter into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of wheat, soybean and corn. Commodity futures, options and swap contracts are either designated as cash-flow hedging instruments or are undesignated.

Changes in the fair value on the portion of the derivative included in the assessment of hedge effectiveness of cash-flow hedges are recorded in other comprehensive income (loss), until earnings are affected by the variability of cash flows. The change in fair value on undesignated instruments is recorded in Other income / (expense). There were two current contracts designated as a hedge at March 31, 2024. We net settle amounts due, if any, under the contract with our counterparty.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

Additionally, the Company is exposed to market risks primarily related to the volatility in the price of carbon credits. To manage these risks, the Company enters into forward sales contracts to sell carbon offset units from time to time. The Company evaluates its contracts to determine if such contracts qualify as derivatives under ASC 815. As the Company's existing carbon offset contracts do not qualify for hedge accounting treatment, any changes in fair value are recorded as Gain (loss) on fair value remeasurement within Other income / (expense).

The Forward sales derivative asset and Derivative liability primarily relate to the forward sale contracts. The fair value of the Forward sales derivative asset and Derivative liability is based on quoted prices for similar assets and liabilities in active market or inputs that are observable, which represent Level 2 measurements within the fair value hierarchy and is based on observable prices for similar assets sourced by an independent marketplace. The Forward sales derivative refers to the forward sales contracts executed in September, November and December 2023. Refer to Note 15 – Commitments and contingencies, for a more detailed discussion of the transactions. During the three months ended March 31, 2024, the fair value increased by \$3.3 million.

See Note 2 – Significant accounting policies, Note 15 – Commitments and contingencies and Note 17 – Fair value measurement for further details regarding the Derivative liability.

## **19. Equity**

### Stock Option and Stock Issuance Plan

#### *2021 Plan*

The Company's board of directors and shareholders approved and adopted on October 7, 2021 the 2021 Equity Incentive Plan ("2021 Plan"), effective on September 16, 2020 under which stock options and restricted stock may be granted to officers, directors, employees and consultants in the form of non-qualified stock options, incentive stock-options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. Under the 2021 Plan, the Company reserved 1.5 million shares of common stock for issuance. As of March 31, 2024, 0.7 million shares have been issued and 0.8 million options to purchase shares have been awarded under the 2021 Plan.

#### *2023 Plan*

The Company's board of directors and shareholders approved and adopted on February 28, 2023 the 2023 Equity Incentive Plan ("2023 Plan") under which stock options and restricted stock may be granted to officers, directors, employees and consultants in the form of non-qualified stock options, incentive stock-options, stock appreciation rights, restricted stock awards, restricted stock Units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. Under the 2023 Plan, the Company reserved 2.5 million shares of common stock for issuance. As of March 31, 2024, 2.4 million shares have been issued and 0.1 million option to purchase shares have been awarded under the 2023 Plan.

#### *2024 Plan*

The Company's board of directors and shareholders approved and adopted on December 20, 2023 the 2024 Equity Incentive Plan ("2024 Plan") under which stock options and restricted stock may be granted to officers, directors, employees and consultants in the form of non-qualified stock options, incentive stock-options, stock appreciation rights, restricted stock awards, restricted stock Units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. Under the 2024 Plan, the Company reserved 7.5 million shares of common stock for issuance. As of March 31, 2024, 2.2 million shares have been issued under the 2024 Plan.

### Common Stock Issuances

On January 5, 2023, the Company authorized the issuance of an aggregate of 31.3 thousand shares of common stock to the members of the board of directors as compensation earned during the fourth quarter of 2022.

On March 27, 2023, the Company authorized the issuance of 2.8 million shares of common stock to Aggia as consulting fees earned during the fourth quarter of 2022.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

On January 4, 2024 the Company authorized the issuance of 0.1 million shares of common stock to the members of the board of directors as compensation earned during the fourth quarter of 2023.

On January 8, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 11, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 22, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 29, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On February 16, 2024 the Company authorized the issuance of 3.0 thousand shares of common stock to a consultant for services rendered.

On February 16, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On March 15, 2024, the Company authorized the issuance of 0.6 million shares of common stock in connection with the conversion of notes payable.

On March 20, 2024, the Company authorized the issuance of 0.8 million shares of common stock in connection with the conversion of notes payable.

On March 28, 2024 the Company authorized the issuance of 0.1 million shares of common stock to a consultant for services rendered.

On March 31, 2023, the Company vested 0.5 million shares of common stock to Aggia as consulting fees earned during the fourth quarter of 2023.

Change in fair value of stock-based compensation on the Unaudited Condensed Consolidated Statement of Operations and Other Comprehensive Loss is made up of the difference between the agreed upon issuance price, per the servicing agreement with Aggia and the market price on the day of issuance. For the three months ended March 31, 2024 and 2023, Change in fair value of stock-based compensation was \$0.5 million and \$0.5 million, respectively.

**Restricted Share Awards**

Per Addendum 2, on July 14, 2023, the Company issued Restricted Share Awards ("RSA's") to Aggia. These RSA are considered issued as of the effective date on April 1, 2023. Pursuant to the Services Agreement these RSA's vest on a progressive schedule, at a rate equal to the Net Income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. Shares shall be considered issued and outstanding as of the Addendum Date and Aggia shall hold rights associated with such Shares; provided, however, Shares not earned or purchased may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly. The total RSA's vested for Aggia for the three months ended March 31, 2024 were 0.5 million.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

At March 31, 2024, there were 10.5 million restricted share awards outstanding.

A summary of the activity related to the restricted share awards, is presented below:

	Total RSA's	Weighted-average grant date fair value
		\$
Outstanding at December 31, 2023	9,098,767	1.04
Granted	2,136,000	0.30
Forfeited	—	—
Vested	(740,129)	0.93
Outstanding at March 31, 2024	<u>10,494,638</u>	<u>0.89</u>

See Note 15 – Commitments and contingencies for further details on Restricted Share Awards.

Warrant and Option Valuation

The Company has computed the fair value of warrants and options granted using the Black-Scholes option pricing model. The expected term used for warrants and options issued to non-employees is the contractual life. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected term of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

Options

On February 27, 2023, the Company issued options to purchase an aggregate of 0.5 million shares of the Company's common stock to officers and directors. The options had an exercise price of \$1.51 per share and vest ratably over 20 quarters with the first vesting occurring March 31, 2023.

On March 15, 2023, the Company issued options to purchase 0.1 million shares of the Company's common stock. The options had an exercise price of \$1.51 per share and vest ratably over 20 quarters with the first vesting occurring March 31, 2023.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

A summary of option activity is presented below:

	Weighted-average exercise price	Number of options	Weighted-average remaining life (in years)	Aggregate intrinsic value
	\$			\$'000
Outstanding, December 31, 2022	1.52	412,500	3.56	156
Granted	1.51	600,000	6.17	—
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, March 31, 2023	1.52	1,212,500	5.00	206
Expected to vest, March 31, 2023	1.17	822,481	5.54	—
Exercisable and vested, March 31, 2023	3.00	190,019	1.51	40
Outstanding, December 31, 2023	1.09	827,500	4.26	—
Granted	—	—	N/A	—
Exercised	—	—	N/A	—
Forfeited	1.51	(15,000)	N/A	—
Outstanding, March 31, 2024	1.10	812,500	3.92	—
Expected to vest, March 31, 2024	1.14	564,985	3.99	—
Exercisable and vested, March 31, 2024	0.97	247,515	3.77	—

The Company has estimated the fair value of the options using the Black-Scholes model using the following assumptions:

	Three Months Ended March 31, 2023
Risk free interest rate	1.53-4.33%
Expected term (years)	5.00
Expected volatility	59.10-156.87%
Expected dividends	—

Warrant Exercise Agreement

On July 27, 2023 (the "Closing Date"), the Company entered into a Warrant Exercise Agreement (the "Exercise Agreement") with Altium Growth Fund Ltd. (the "Exercising Holder"), the holder of outstanding warrants to purchase 2.2 million shares of common stock of the Company issued in November 2021 (collectively, the "Original Warrants"), whereby the Exercising Holder exercised the Original Warrants in consideration of 2.2 million shares of common stock (the "Shares"). The Company received aggregate gross proceeds before expenses of approximately \$2.2 million. In order to induce the Exercising Holder to exercise the Original Warrants, the Company reduced the exercise price on the Original Warrants from \$1.385 to \$1.00 per share.

In connection with the exercise of the Original Warrants, we issued an additional warrant to Altium that is exercisable to acquire 2.2 million shares of common stock (the "Additional Warrant") exercisable at a per share price of \$2.40.

Additional Warrants Issued

In connection with the exercise of the Original Warrants, the Company issued an additional warrant to the Exercising Holder that is exercisable for the number of shares of common stock equal to one hundred percent of the Shares purchased by the Exercising Holder (the "Additional Warrant"). The Additional Warrant is substantially identical to the Original Warrants, except that the exercise price of the Additional Warrant is \$2.40. The Company is obligated to file a registration

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

statement covering the shares of common stock underlying the warrants within 30 days and to have the registration statement declared effective within 90 days after filing with the Commission.

A summary of warrants activity during the three months ended March 31, 2024 and 2023 is presented below:

	Weighted-average exercise price	Number of warrants	Weighted-average remaining life (in years)	Aggregate intrinsic value
	\$			\$'000
Outstanding, December 31, 2022	1.93	18,033,640	3.51	—
Granted	—	—	N/A	—
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, March 31, 2023	1.93	18,033,640	3.26	—
Exercisable, March 31, 2023	1.93	18,033,640	3.26	—
Outstanding, December 31, 2023	1.97	17,379,890	2.61	—
Granted	—	—	N/A	—
Exercised	—	—	N/A	—
Forfeited	3.66	(323,643)	N/A	—
Outstanding, March 31, 2024	1.94	17,056,247	2.41	—
Exercisable, March 31, 2024	1.94	17,056,247	2.41	—

Stock-Based Compensation Expense

Stock-based compensation related to restricted stock issued to employees, directors and consultants, warrants and warrants to consultants amounted to \$0.8 million and \$3.4 million, respectively for the three months ended March 31, 2024 and 2023, of which \$ 45.5 thousand and \$3.2 thousand were executive compensation, \$36.1 thousand and \$28.5 thousand were given to the board of directors, \$0.1 million and nil were given to consultants for services rendered and \$0.6 million and \$3.4 million were stock-based consulting expenses paid to related party.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**20. Related Party Transactions**

The Company held a Special Shareholder Meeting on February 28, 2023. At the meeting, the shareholders approved (i) the Services Agreement whereby Sadot LLC engaged Aggia, to provide certain advisory services to Sadot Agri-Food for managing Sadot Agri-Food's business of wholesaling food and engaging in the purchase and sale of physical food commodities; (ii) an amendment of the Company's articles of incorporation to increase the number of authorized shares of common stock from 50.0 million to 150.0 million; (iii) for purposes of complying with NASDAQ Listing Rule 5635(b), the issuance of the Shares pursuant to the Services Agreement entered between the Company, Sadot LLC and Aggia representing more than 20% of our common stock outstanding, which would result in a "change of control" of the Company under applicable Nasdaq listing rules; (iv) for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of up to 14.4 million Shares of Common Stock to Aggia pursuant to the Services Agreement and net income generated thresholds; (v) the right of Aggia to nominate up to eight directors to the Board of Directors subject to achieving net income thresholds as set forth in the Services Agreement; and (vi) the adoption of the 2023 Equity Incentive Plan. The shareholders of the Company subsequently approved an increase in the authorized shares of common stock from 150.0 million to 200.0 million at the Company's Annual Meeting held on December 20, 2023.

As of March 31, 2024, Aggia owned 29.1% of the Company's common stock.

During the three months ended March 31, 2024 and 2023, the Company recorded Stock-based consulting expense of \$ 0.6 million and \$3.4 million to its related party, Aggia for consulting services rendered.

Additionally, for the three months ended March 31, 2024 and 2023, the Company reimbursed Aggia for all operating costs related to Sadot Agri-Foods of \$1.1 million and \$0.6 million, respectively.

The Company will continue to monitor and evaluate its related party transactions to ensure that they are conducted in accordance with applicable laws and regulations and in the best interests of the Company and its shareholders.

**Sadot Group, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**21. Subsequent Events**

Updated SEPA Agreement

On September 26, 2023, the Company, entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN, Ltd. (the "Investor"), pursuant to which the Investor has agreed to purchase up to \$25 million of the Company's shares of common stock..

Pursuant to the SEPA, the Investor provided pre-advances to the Company in the aggregate amount of \$ 4.0 million (each, a "Pre-Advance"), with each Pre-Advance evidenced by a convertible promissory note (each, a "Note"). The first Pre-Advance, in the principal amount of \$3.0 million, was on September 23, 2023. The second Pre-Advance of \$1.0 million was advanced on October 30, 2023.

On April 10, 2024, the Company and the Investor entered into a letter agreement (the "Letter Agreement") to amend the terms of the remaining outstanding Note providing that the Company will make payments on May 1, 2024, June 1, 2024 and July 1, 2024 each in the principal amount of \$350,000 plus an 8% payment premium and accrued interest. During the period through August 1, 2024, the Investor agreed that the application of any monthly payments that may become due and payable pursuant to Section 1(c) of the Notes (i.e., as a result of a Floor Price Trigger, or Exchange Cap Trigger) shall be suspended and the Investor shall not effect any Investor Notices of Conversions Notices, unless the Conversion Price is equal to the Fixed Price as such terms are defined in the SEPA, or with the consent of the Company.

Franchise Agreement Terminations

Effective May 2, 2024, the Company terminated its franchise agreement relating to the two Muscle Maker restaurants operating in Kuwait due to the failure to pay the royalty and other fees. Among other items in addition to terminating the franchise agreement, the Company demanded all amounts due and that the franchise cease all use of the Company's marks.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Preliminary Note**

The following Management's Discussion and Analysis ("MD&A"), prepared as of May 15, 2024, should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements of Sadot Group Inc. ("Sadot Group"), for the three months ended March 31, 2024 together with the audited financial statements of the Company for the year ended December 31, 2023 and the accompanying MD&A for that fiscal year appearing in our Annual Report on 2023 Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 20, 2024. Unless otherwise indicated or the context otherwise requires, all references to the terms "Company," "company," "Sadot", "Muscle Maker," "we," "us," "our", "Group" and similar terms refer to Sadot Group Inc., together with its consolidated subsidiaries.

Our website address is <http://sadotgroupinc.com>. The information on, or that can be accessed through, our website is not part of this Report. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at [www.sec.gov](http://www.sec.gov).

This MD&A is the responsibility of management. Prior to its release, the Company's Board of Directors (the "Board") approved this MD&A on the Audit Committee's recommendation. The Company presents its financial statements in U.S. Dollars. Amounts in this MD&A are stated in U.S. Dollars unless otherwise indicated.

### **Forward-Looking Statements**

*This Report contains forward-looking statements as defined in the federal securities laws. Forward-looking statements generally relate to future events or our future financial or operating performance. These forward-looking statements are not guarantees of future performance, conditions, or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside of Sadot Group Inc's management's control. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "forecast," "model," "proposal," "should," "may," "intend," "estimate," and "continue," and similar expressions (or the negative versions of such words or expressions), are intended to identify forward-looking statements. These forward-looking statements include, without limitation, information concerning Sadot's possible or assumed future results of operations, business strategies, debt levels, competitive position, industry environment and possible growth opportunities. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Reference is made to "Factors That May Affect Future Results and Financial Condition" in this Item 2 for a discussion of some of the uncertainties, risks and assumptions associated with these statements.*

### **OVERVIEW**

Sadot Group Inc. (f/k/a Muscle Maker, Inc.) is our parent company and is headquartered in Ft. Worth, Texas. In late 2022, Sadot Group began a transformation from a U.S.-centric restaurant business into a global organization focused on the Agri-foods supply-chain. Effective July 27, 2023, we changed our company name from Muscle Maker, Inc., to Sadot Group Inc. As of March 31, 2024, Sadot Group consisted of two distinct operating units.

1. Sadot LLC ("Sadot Agri-Foods"): Sadot Group's largest operating unit is a global Agri-Foods company engaged in farming, commodity trading and shipping of food and feed (e.g., soybean meal, wheat and corn) via dry bulk cargo ships to/from markets such as Argentina, Australia, Bangladesh, Brazil, Canada, China, Columbia, Ecuador, Egypt, Guinea, Honduras, India, Indonesia, Ivory Coast, Japan, Kenya, Malaysia, Morocco, Mozambique, Nigeria, Philippines, Poland, Romania, Saudi Arabia, South Korea, Sri Lanka, Ukraine, United States and Vietnam, among others. Sadot Agri-Foods competes with the ABCD commodity companies (ADM, Bunge, Cargill, Louis-Dreyfus) as well as many regional organizations. Sadot Agri-Foods operates, through a majority owned subsidiary, a roughly 5,000 acre crop producing farm in Zambia with a focus on major commodities such as wheat, soy and corn alongside high-value tree crops such as avocado and mango. Sadot Agri-Foods was formed as part of the Company's diversification strategy to own and operate, through its subsidiaries, the business lines throughout the food value chain. Sadot Agri-Foods seeks to diversify over time into a sustainable and forward-looking global agri-foods company.
2. Sadot Restaurant Group, LLC ("Sadot Food Services"): has three unique "healthier for you" concepts, including two fast casual restaurant concepts, Pokémoto and Muscle Maker Grill, plus one subscription-based fresh prep meal concept, SuperFit Foods. The restaurants were founded on the belief of taking every-day menu options and

converting them into “healthier for you” menu choices. Consumers are demanding healthier choices, customization, flavor and convenience. Each of our three concepts offers different menus that are tailored to specific consumer segments. We believe our concepts deliver highly differentiated customer experiences. This entire operating segment was identified as held for sale. Please see Note 3 – Assets held for sale for further details.

#### Key Financial Definitions

We review a number of financial and operating metrics, including the following key metrics and non-GAAP measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Governmental and other economic factors affecting our operations may vary.

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
Commodity sales	106,507	210,366
Company restaurant sales, net of discounts	1,157	2,301
Franchise royalties and fees	257	284
Franchise advertising fund contributions	15	16
Cost of goods sold	(108,276)	(208,294)
<b>Gross profit</b>	(340)	4,673
Depreciation and amortization expenses	(280)	(633)
Franchise advertising fund expenses	(15)	(16)
Pre-opening expenses	—	(36)
Post-closing expenses	(19)	(94)
Stock-based expenses	(796)	(3,359)
Sales, general and administrative expenses	(2,096)	(2,142)
<b>Loss from operations</b>	(3,546)	(1,607)
 <b>Adjusted EBITDA</b>	 (2,470)	 2,385
<b>Adjusted EBITDA attributable to Sadot Group Inc.</b>	(2,422)	2,385

The breakout of our main revenue streams by business segment is shown below:

	Three Months Ended March 31,	
	2024	2023
Sadot agri-foods	98.7 %	98.8 %
Sadot food service	1.3 %	1.2 %

Our key business and financial metrics are explained in detail below.

#### Revenues

Our revenues are derived from four primary sources: Commodity sales, Company restaurant sales, Franchise revenues and vendor rebates from Franchisees. Commodity sales revenues are comprised of revenues generated from the purchase and sales of physical food and feed commodities related to our trading and farming operations. Franchise revenues are comprised of Franchise royalty revenues collected based on 2% to 6% of franchisee net sales and other franchise revenues which include initial and renewal franchise fees. Vendor rebates are received based on volume purchases or services from franchise owned locations. In addition, we have Other revenues which consists of gift card breakage, which is recognized when we determine that there is no further legal obligation to remit the unredeemed gift card balance.

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### *Cost of Goods Sold*

Cost of goods sold includes commodity costs, labor, food and beverage cost, rent and other operating expenses.

### *Depreciation and Amortization Expenses*

Depreciation and amortization expenses primarily consist of the depreciation of property and equipment and amortization of intangible assets.

### *Franchise Advertising Expenses*

In accordance with Topic 606, the Company recognizes sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee incurs the corresponding advertising expense. The Company records the related advertising expenses as incurred under Sales, general and administrative expenses.

### *Pre-opening Expenses*

Pre-opening expense primarily consist of expenses associated with opening a Company-operated location and expenses related to Company-operated locations or new business operations prior to the location opening or the transaction is finalized.

### *Post-closing Expenses*

Post-closing expense primarily consist of expenses associated with closing a Company-operated location and expenses related to Company-operated locations after the location has closed.

### *Stock based Expenses*

Stock-based expenses include all expenses that are paid with stock. This includes stock-based consulting fees due to Aggia and other consultants, stock compensation paid to our board of directors, and stock compensation paid to employees. The consulting fees due to Aggia related to ongoing Sadot Agri-Foods and expansion of the global agri-foods commodities business. Based on the initial Services Agreement with Aggia LLC FZ, a Company formed under the laws of United Arab Emirates ("Aggia"), the consulting fees were calculated at approximately 80.0% of the Net Income generated by Sadot Agri-Foods through March 31, 2023. As of April 1, 2023 the consulting agreement was amended to calculate consulting fees on 40.0% of the Net income generated by Sadot LLC. For the three months ended March 31, 2024 and 2023, consulting fees were \$0.8 million and \$3.4 million, respectively, and are recorded as Stock-based expenses in the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss.

### *Sales, General and Administrative Expenses*

Sales, general and administrative expenses include expenses associated with corporate and administrative functions that support our operations, including wages, benefits, travel expense, legal and professional fees, training, investor relations and other corporate costs. We incur incremental Sales, general and administrative expenses as a result of being a publicly listed company on the NASDAQ capital market. A certain portion of these expenses are related to the preparation of an initial stock offering and subsequent capital raises and should be considered one-time expenses.

### *Other (Expense) / Income*

Other (expense) / income listed below the Loss from operations in the accompanying Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss consists of Gain or loss of fair value remeasurement, Change in fair value of stock-based compensation, Loss on sale of trading securities and Interest expense, net. Gain on fair value remeasurement consists of the fair value remeasurement recorded on a recurring basis on the forward sales contract which was deemed to be a derivative within the scope of ASC 815.

### *Income Tax Benefit /(Expense)*

Income tax benefit / (expense) represent federal, state and local current and deferred income tax expense.

### *Net Income Attributable to Non-controlling Interests*

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Net loss attributable to non-controlling interests was \$48.0 thousand and nil for the three months ended March 31, 2024 and 2023. During the year ended December 31, 2023 the Company created a joint-venture in which the Company has a 70% interest and the third-party equity ownership has a 30% Non-controlling interest.

**Non-GAAP Measures**

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are non-GAAP measures. We define EBITDA as Net loss, adjusted for depreciation, amortization, interest income / (expense), and income taxes. We define Adjusted EBITDA as Net loss, adjusted for depreciation, amortization, net interest (income) expense, income taxes, impairment expenses, stock-based consulting expense, other income, change in fair value of stock-based compensation, gain on extinguishment, warrant modification expense, and gain on fair value remeasurement derived from amounts presented in the Unaudited Condensed Consolidated Statement of Operations and Other Comprehensive Loss and the associated Notes to the Unaudited Condensed Consolidated Financial Statements. We believe that EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, (collectively, the "Non-GAAP Measures") are useful metrics for investors to understand and evaluate our operating results and ongoing profitability because they permit investors to evaluate our recurring profitability from our ongoing operating activities.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, have certain limitations, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP. We caution investors that amounts presented in accordance with our definitions of any of the Non-GAAP Measures may not be comparable to similar measures disclosed by other issuers, because some issuers calculate certain of the Non-GAAP Measures differently or not at all, limiting their usefulness as direct comparative measures.

**Reconciliations of EBITDA, Adjusted EBITDA and Other Non-GAAP Measures**

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from the most comparable U.S. GAAP measure, Net loss, and the calculations of the Net loss Margin and Adjusted EBITDA Margin for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	\$'000	\$'000
<b>Net income / (loss)</b>	(313)	(1,066)
<i>Adjustments to EBITDA:</i>		
Depreciation and amortization expenses	280	633
Interest (income) / expense, net	490	(3)
Income tax expense	1	3
<b>EBITDA</b>	<b>458</b>	<b>(433)</b>
<i>Adjustments to Adjusted EBITDA:</i>		
Change in fair value of stock-based compensation	(476)	(541)
Gain on fair value remeasurement	(3,259)	—
Stock-based consulting expenses	796	3,359
Loss on sale of trading securities	11	—
<b>Adjusted EBITDA</b>	<b>(2,470)</b>	<b>2,385</b>
Adjusted EBITDA attributable to non-controlling interest	48	—
<b>Adjusted EBITDA attributable to Sadot Group Inc.</b>	<b>(2,422)</b>	<b>2,385</b>
<b>Gross Profit</b>	<b>(340)</b>	<b>4,673</b>
<b>Gross Profit attributable to Sadot Group Inc.</b>	<b>(292)</b>	<b>4,673</b>
Net loss Margin attributable to Sadot Group Inc.	(0.3)%	(0.5)%
Adjusted EBITDA Margin attributable to Sadot Group Inc.	(2.2)%	1.1 %

**Unaudited Condensed Consolidated Results of Operations - Three Months Ended March 31, 2024 Compared to the Three Months Ended March 31, 2023**

The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss for the three months ended March 31, 2024 and 2023, respectively:

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Commodity sales	106,507	210,366	(103,859)	(49.4)%
Company restaurant sales, net of discounts	1,157	2,301	(1,144)	(49.7)%
Franchise royalties and fees	257	284	(27)	(9.5)%
Franchise advertising fund contributions	15	16	(1)	(6.3)%
Cost of goods sold	(108,276)	(208,294)	100,018	(48.0)%
<b>Gross (loss) profit</b>	<b>(340)</b>	<b>4,673</b>	<b>(5,013)</b>	<b>(107.3)%</b>
Depreciation and amortization expenses	(280)	(633)	353	(55.8)%
Franchise advertising fund expenses	(15)	(16)	1	(6.3)%
Pre-opening expenses	—	(36)	36	(100.0)%
Post-closing expenses	(19)	(94)	75	(79.8)%
Stock-based expenses	(796)	(3,359)	2,563	(76.3)%
Sales, general and administrative expenses	(2,096)	(2,142)	46	(2.1)%
<b>Loss from operations</b>	<b>(3,546)</b>	<b>(1,607)</b>	<b>(1,939)</b>	<b>120.7 %</b>
Interest (expense) / income, net	(490)	3	(493)	(16433.3)%
Change in fair value of stock-based compensation	476	541	(65)	(12.0)%
Gain on fair value remeasurement	3,259	—	3,259	NM
Loss on sale of trading securities	(11)	—	(11)	NM
<b>Loss Before Income Tax</b>	<b>(312)</b>	<b>(1,063)</b>	<b>751</b>	<b>(70.6)%</b>
Income tax expense	1	3	(2)	(66.7)%
<b>Net loss</b>	<b>(313)</b>	<b>(1,066)</b>	<b>753</b>	<b>(70.6)%</b>

NM= not meaningful



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The following table sets forth our results of operations as a percentage of total revenue for each period presented preceding:

*Gross Profit*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Commodity sales	106,507	210,366	(103,859)	(49.4)%
Company restaurant sales, net of discounts	1,157	2,301	(1,144)	(49.7)%
Franchise royalties and fees	257	284	(27)	(9.5)%
Franchise advertising fund contributions	15	16	(1)	(6.3)%
Cost of goods sold	(108,276)	(208,294)	100,018	(48.0)%
<b>Gross (loss) profit</b>	<b>(340)</b>	<b>4,673</b>	<b>(5,013)</b>	<b>(107.3)%</b>

NM= not meaningful

Our gross (loss) profit totaled \$0.3 million loss for the three months ended March 31, 2024, compared to \$4.7 million profit for the three months ended March 31, 2023. The \$5.0 million decrease is primarily attributed to a decrease in Commodity sales which is attributable to a decline in global prices of staple commodities, market seasonality and the largest global consumer being out of the market for the beginning of 2024.

We generated Commodity sales of \$106.5 million for the three months ended March 31, 2024 compared to \$210.4 million for the three months ended March 31, 2023. This represented a decrease of \$103.9 million, which is attributable to a decline in global prices of staple commodities, market seasonality and the largest global consumer being out of the market for the beginning of 2024.

We generated Company restaurant sales, net of discounts, of \$1.2 million for the three months ended March 31, 2024, compared to \$2.3 million for the three months ended March 31, 2023. This represented an decrease of \$1.1 million, or 49.7%, which is mainly attributable to the conversion of certain corporate owned Pokemoto locations to franchise locations and closing underperforming locations.

Franchise royalties and fees for the three months ended March 31, 2024 totaled \$0.3 million compared to \$0.3 million for the three months ended March 31, 2023. This represents a decrease of \$27.0 thousand, or 9.5%. In 2024, the franchise fees were lower, primarily due to a termination of a Muscle Maker Grill development agreement in 2023 that escalated the revenue recognition. .

Franchise advertising fund contributions for the three months ended March 31, 2024 totaled \$15.0 thousand compared to \$16.0 thousand for the three months ended March 31, 2023. The Company recognizes these sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee Company incurs the corresponding advertising expense. The decrease of \$1.0 thousand or 6.3%, is a direct result of the decrease in Muscle Maker Grill restaurant national advertising services.

Cost of goods sold for the three months ended March 31, 2024 totaled \$108.3 million compared to \$208.3 million for the three months ended March 31, 2023. This represented a decrease of \$100.0 million or 48.0% which is a direct result of the decrease in sales.

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*Depreciation and Amortization Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Depreciation and amortization expenses	(280)	(633)	353	(55.8)%

Depreciation and amortization expenses for the three months ended March 31, 2024 totaled \$0.3 million compared to \$0.6 million, for the three months ended March 31, 2023. The \$0.4 million decrease is mainly attributed to the closing and refanchising of corporate locations and the disposal of the corresponding assets.

*Franchise Advertising Fund Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Franchise advertising fund expenses	(15)	(16)	1	(6.3)%

Franchise advertising fund expenses for the three months ended March 31, 2024 totaled \$15.0 thousand compared to \$16.0 thousand, for the three months ended March 31, 2023. The \$1.0 thousand or 6.3% decrease is mainly attributed to the decrease in Muscle Maker Grill restaurant national advertising services.

*Pre-opening Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Pre-opening expenses	—	(36)	36	(100.0)%

There were no Pre-opening expenses for the three months ended March 31, 2024, compared to \$36.0 thousand for the three months ended March 31, 2023. The decrease in Pre-opening expenses resulted from no locations or operations that were open or preparing to open during the three months ended March 31, 2024.

*Post-Closing Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Post-closing expenses	(19)	(94)	75	(79.8)%

Post-closing expenses for the three months ended March 31, 2024 totaled \$19.0 thousand compared to \$0.1 million for the three months ended March 31, 2023. The decrease in Post-closing expenses resulted from closing fewer corporate owned locations in 2024 compared to 2023.

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*Stock-Based Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Stock-based expenses	(796)	(3,359)	2,563	(76.3)%

Stock-based expenses for the three months ended March 31, 2024, totaled \$0.8 million compared to \$3.4 million for the three months ended March 31, 2023. The \$2.6 million decrease in Stock-based expenses is primarily the result of consulting fees due to Aggia for Sadot Agri-Foods and Farming operations. Based on the servicing agreement with Aggia, the consulting fees are calculated at approximately 40.0% of the Net income generated by Sadot LLC which is a decrease from 80.0% in 2023. This expense is paid in the vesting in restricted stock that was issued to Aggia in 2024.

*Sales, General and Administrative Expenses*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Sales, general and administrative expenses	(2,096)	(2,142)	46	(2.1)%

Sales, general and administrative expenses for the three months ended March 31, 2024 totaled \$2.1 million compared to \$2.1 million for the three months ended March 31, 2023. The \$46.0 thousand decrease was primarily attributable to a decrease in normal operating activities.

*Other Income / (Expense)*

	Three Months Ended March 31,		Variance	
	2024	2023	\$	%
	\$'000	\$'000	\$'000	
Total other income / (expense), net	3,234	544	2,690	494 %

Other income for the three months ended March 31, 2024 totaled \$3.2 million compared to \$0.5 million for the three months ended March 31, 2023. The \$2.7 million increase was primarily attributable to a \$3.3 million increase in the gain on the fair value remeasurement as a result of the mark to market adjustment of derivatives partially offset by a \$0.5 million increase in interest expense, a \$0.1 million decrease in change in fair value of stock-based compensation and a less than \$0.1 million increase in loss on sale of trading securities.

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The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss for the three months ended March 31, 2024, by our operating segments:

	Three Months Ended March 31, 2024			
	Sadot food service \$'000	Sadot agri-foods \$'000	Corporate adj. \$'000	Consolidated \$'000
<b>Revenues:</b>				
Commodity sales	—	106,507	—	106,507
Company restaurant sales, net of discounts	1,157	—	—	1,157
Franchise royalties and fees	257	—	—	257
Franchise advertising fund contributions	15	—	—	15
Cost of goods sold	(1,331)	(106,945)	—	(108,276)
<b>Gross Profit (loss)</b>	<b>98</b>	<b>(438)</b>	—	<b>(340)</b>
Depreciation and amortization expenses	(189)	(91)	—	(280)
Franchise advertising fund expenses	(15)	—	—	(15)
Post-closing expenses	(19)	—	—	(19)
Stock-based expenses	—	—	(796)	(796)
Sales, general and administrative expenses	(703)	(731)	(662)	(2,096)
<b>Loss from operations</b>	<b>(828)</b>	<b>(1,260)</b>	<b>(1,458)</b>	<b>(3,546)</b>
Interest expense, net	(262)	(407)	179	(490)
Change in fair value of stock-based compensation	—	—	476	476
Gain on fair value remeasurement	—	3,259	—	3,259
Loss on sale of trading securities	—	(11)	—	(11)
<b>(Loss) / Income Before Income Tax</b>	<b>(1,090)</b>	<b>1,581</b>	<b>(803)</b>	<b>(312)</b>
Income tax (benefit) / expense	—	—	1	1
<b>Net (loss) / income</b>	<b>(1,090)</b>	<b>1,581</b>	<b>(804)</b>	<b>(313)</b>
<b>Total assets</b>	<b>6,950</b>	<b>142,673</b>	<b>904</b>	<b>150,527</b>

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The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations and Other Comprehensive Loss for the three months ended March 31, 2023, by our operating segments:

	Three Months Ended March 31, 2023			
	Sadot food service \$'000	Sadot agri-foods \$'000	Corporate adj. \$'000	Consolidated \$'000
<b>Revenues:</b>				
Commodity sales	—	210,366	—	210,366
Company restaurant sales, net of discounts	2301	—	—	2,301
Franchise royalties and fees	284	—	—	284
Franchise advertising fund contributions	16	—	—	16
Cost of goods sold	(2465)	(205,829)	—	(208,294)
<b>Gross Profit</b>	136	4,537	—	4,673
Depreciation and amortization expenses	(633)	—	—	(633)
Franchise advertising fund expenses	(16)	—	—	(16)
Pre-opening expenses	(36)	—	—	(36)
Post-closing expenses	(94)	—	—	(94)
Stock-based expenses	—	—	(3,359)	(3,359)
Sales, general and administrative expenses	(82)	(286)	(1,774)	(2,142)
<b>(Loss) / income from operations</b>	(725)	4,251	(5,133)	(1,607)
Interest income, net	3	—	—	3
Change in fair value of accrued compensation	—	—	541	541
<b>(Loss) / income Before Income Tax</b>	(722)	4,251	(4,592)	(1,063)
Income tax (benefit) / expense	1	—	2	3
<b>Net (loss) income</b>	(723)	4,251	(4,594)	(1,066)
<b>Total assets</b>	8,711	45,853	8,034	62,598

## Liquidity and Capital Resources

### Working Capital

We measure our liquidity in a number of ways, including the following:

	As of	
	March 31, 2024	December 31, 2023
	\$'000	\$'000
Cash	1,214	1,354
Accounts Receivable, net	23,095	52,920
Inventory	2,383	2,561
Other current assets <sup>(1)</sup>	58,584	56,016
Assets held for sale <sup>(5)</sup>	6,950	—
Total current assets	92,226	112,851
Accounts payable and accrued expenses	23,342	50,167
Notes payable, net	3,640	6,531
Other current liabilities <sup>(2)</sup>	48,276	47,884
Liabilities held for sale <sup>(6)</sup>	3,752	—
Total current liabilities	79,010	104,582
Working capital <sup>(3)</sup>	13,216	8,269
Current ratio <sup>(4)</sup>	1.17	1.08

(1) Consists of Prepaid expenses and other current assets, Prepaid forward on carbon offsets, Forward sales derivatives and Notes receivable, current

(2) Consists of Operating lease liability, current, Deferred revenue, current and Other current liabilities

(3) Working Capital is defined as Total current assets less Total current liabilities

(4) Current ratio is defined as Total current assets divided by Total current liabilities

(5) See Note 3 for additional information

(6) See Note 3 for additional information

### Availability of Additional Funds

Our main financial objectives are to prudently manage financial risk, ensure access to liquidity and minimize cost of capital in order to efficiently finance our business and maintain balance sheet strength. We generally finance our ongoing operations with cash flows generated from operations, borrowings under various credit facilities and term loans. At March 31, 2024, current ratio, which equals Total current assets divided by Total current liabilities, was 1.17, an increase of 0.09, compared to current ratio of 1.08 at December 31, 2023. The increase in current ratio was primarily due to a decrease in Accounts payable and accrued expenses partially offset by the decrease in Accounts receivable. At March 31, 2024, working capital, which equals Total current assets less Total current liabilities, was \$13.2 million an increase of \$4.9 million, compared to working capital of \$8.3 million at December 31, 2023. The increase in working capital was primarily due to a decrease in Accounts payable and accrued expenses and Notes payable, current. In addition, the Company has access to additional liquidity if it is needed through an executed Standby Equity Purchase Agreement ("SEPA") for up to \$25.0 million in capital whereby the Company, once the initial prepayment loan is fully paid off may submit advance requests to the lender and the lender will provide cash in consideration of shares of common stock subject to certain limitations and conditions set forth in the SEPA.

In the event we are required to obtain additional financing, either through borrowings, private placements, public offerings, or some type of business combination, such as a merger, or buyout, and there can be no assurance that we will be successful in such pursuits. We may be unable to acquire the additional funding necessary to continue operating. Accordingly, if we are unable to generate adequate cash from operations, and if we are unable to find sources of funding, it may be necessary for us to sell one or more lines of business or all or a portion of our assets, enter into a business combination or reduce or eliminate operations. These possibilities, to the extent available, may be on terms that result in significant dilution to our shareholders or that result in our shareholders losing all of their investment in our Company.

We will need to raise additional capital. Such additional capital may not be available nor may the terms of such capital be generally acceptable. In addition, any future sale of our equity securities could dilute the ownership and control of your shares and could be at prices substantially below prices at which our shares currently trade. We may seek to increase our cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

*Sources and Uses of Cash for the Three Months Ended March 31, 2024 and 2023*

For the three months ended March 31, 2024, Net cash provided by operating activities was \$2.6 million compared to a use of \$3.3 million for the three months ended March 31, 2023. Our Net cash provided for the three months ended March 31, 2024, was primarily attributable to our Net loss of \$0.3 million, adjusted for net non-cash income in the aggregate amount of \$1.3 million offset by \$1.6 million of Net cash provided by changes in the levels of operating assets and liabilities. Our Net cash used for the three months ended March 31, 2023, was primarily attributable to our Net loss of \$1.1 million, adjusted for net non-cash income in the aggregate amount of \$4.6 million, partially offset by \$6.8 million of Net cash used in changes in the levels of operating assets and liabilities.

For the three months ended March 31, 2024, Net cash provided by investing activities was \$0.1 million, of which \$11.0 thousand was used to purchase Property and equipment, \$0.1 million was provided by the Disposal of property and equipment For the three months ended March 31, 2023, Net cash used in investing activities was \$0.2 million, of which \$0.1 million was used to purchase Property and equipment and \$0.1 million was used on the deposit of farmland.

For the three months ended March 31, 2024, Net cash used in financing activities was \$2.8 million, consisting of repayments of various other notes payable of \$4.3 million and proceeds from notes payable of \$1.5 million. For the three months ended March 31, 2023, Net cash used in financing activities was \$34.0 thousand, consisting of repayments of various other notes payable of \$34.0 thousand.

**Critical Accounting Policies and Estimates**

Our accounting policies are more fully described in Note 2 – Significant accounting policies to our consolidated financial statements included as part of this Annual Report on Form 10-K. As disclosed in Note 2, the preparation of financial statements in conformity with U.S. GAAP requires management to make substantial judgment or estimation in their application that may significantly affect reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ significantly from those estimates. We believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

**Recently Issued Accounting Pronouncements**

In October 2021, the FASB issued ASU 2021-08 Business Combinations ("Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers", as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended subsequently by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11 and 2020-03. The guidance in the ASUs requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used. The standard also establishes additional disclosures related to credit risks. This standard is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance on January 1, 2023

did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06 Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity. Among other changes, ASU 2020-06 removes the liability and equity separation model for convertible instruments with a cash conversion feature, and as a result, after adoption, entities will no longer separately present in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature will no longer be amortized into income as interest expense over the life of the instrument. Instead, entities will account for a convertible debt instrument wholly as debt unless (1) a convertible instrument contains features that require bifurcation as a derivative under ASC Topic 815, Derivatives and Hedging, or (2) a convertible debt instrument was issued at a substantial premium. Additionally, ASU 2020-06 requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share and updates the disclosure requirements in ASC 470-20, making them easier to understand for financial statement preparers and improving the decision-usefulness and relevance of the information for financial statement users. The Company early adopted the new guidance from January 1, 2023, noting no material impact.

In April 2021, the FASB issued ASU 2021-04, "Earnings Per Share (Topic 260), Debt— Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging— Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options" ("ASU 2021-04") to clarify the accounting by issuers for modifications or exchanges of equity-classified warrants. The new ASU is effective for all entities in fiscal years starting after December 15, 2021. Early adoption is permitted. The Company adopted the new guidance from January 1, 2023, noting no material impact.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting—Improvements to Reportable Segment Disclosures (Topic 280). The standard requires incremental disclosures related to reportable segments, including disaggregated expense information and the title and position of the company's chief operating decision maker ("CODM"), as identified for purposes of segment determination. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Entities must adopt the changes to the segment reporting guidance on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

#### *Seasonality*

There is a degree of seasonality in the growing cycles, procurement and transportation of crops. The farming industry in general historically experiences seasonal fluctuations in revenues and net income. Typically, the Company has lower sales and net income during the non-harvest seasons and higher sales and net income during the harvest season and as such, must have sufficient working capital to fund its operations at a reduced level. The failure to generate or obtain sufficient working capital during the winter may have a material adverse effect on the Company.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

#### **Item 4. Controls and Procedures**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15 $\epsilon$  promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of March 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of such date our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information requested to be disclosed by us in our reports that we file or submit under the Exchange Act.

**Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

From time to time, we are a defendant or plaintiff in various legal actions that arise in the normal course of business. We record legal costs associated with loss contingencies as incurred and have accrued for all probable and estimable settlements.

### **Item 1.A. Risk Factors**

*We are exposed to potential business disruption including, but not limited to, disruption of transportation services, disruption in the supply, and other impacts resulting from acts of terrorism or war, natural disasters, pandemics, severe weather conditions, accidents, or other planned disruptions, which could adversely affect our operating results.*

Our operations rely on dependable and efficient transportation services the disruption of which could result in difficulties supplying materials to our facilities and impair our ability to deliver products to our customers in a timely manner. Certain factors which may impact the availability of agricultural commodity raw materials are out of our control including, but not limited to, disruptions resulting from weather, high or low river water conditions, economic conditions, manufacturing delays or disruptions at suppliers, shortage of materials, interruption of energy supply and unavailable or poor supplier credit conditions.

Our Company's operating results could be affected by political instability and by changes in monetary, fiscal, trade, and environmental policies, laws, regulations, and acquisition approvals, creating risks including, but not limited to: changes in a country's or region's economic or political conditions, local labor conditions and regulations, and safety and environmental regulations; reduced protection of intellectual property rights; changes in the regulatory or legal environment; restrictions on currency exchange activities; currency exchange fluctuations; burdensome taxes and tariffs; enforceability of legal agreements and judgments; adverse tax, administrative agency or judicial outcomes; and regulation or taxation of greenhouse gases. International risks and uncertainties, including changing social and economic conditions as well as terrorism, political hostilities, and war, could limit our ability to transact business in these markets. Our Company benefits from the free flow of agricultural and food and feed ingredient products from the U.S. and other sources to markets around the world. Increases in tariff and restrictive trade activities around the world (e.g., the U.S.-China trade relations dispute, Iran sanctions) could negatively impact our ability to enter certain markets or the price of products may become less competitive in those markets.

Also, see Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors that May Affect Future Results and Financial Condition") of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on March 20, 2024.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

#### Issuance of Stock

On January 4, 2024 the Company authorized the issuance of 0.1 million shares of common stock to the members of the board of directors as compensation earned during the fourth quarter of 2023.

On January 8, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 11, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 22, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On January 29, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On February 16, 2024 the Company authorized the issuance of 3.0 thousand shares of common stock to a consultant for services rendered.

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On February 16, 2024, the Company authorized the issuance of 0.3 million shares of common stock in connection with the conversion of notes payable.

On March 15, 2024, the Company authorized the issuance of 0.6 million shares of common stock in connection with the conversion of notes payable.

On March 20, 2024, the Company authorized the issuance of 0.8 million shares of common stock in connection with the conversion of notes payable.

On March 28, 2024 the Company authorized the issuance of 0.1 million shares of common stock to a consultant for services rendered.

Updated SEPA Agreement

On September 26, 2023, the Company, entered into a Standby Equity Purchase Agreement (the "SEPA") with YA II PN, Ltd. (the "Investor"), pursuant to which the Investor has agreed to purchase up to \$25 million of the Company's shares of common stock..

Pursuant to the SEPA, the Investor provided pre-advances to the Company in the aggregate amount of \$4.0 million (each, a "Pre-Advance"), with each Pre-Advance evidenced by a convertible promissory note (each, a "Note"). The first Pre-Advance, in the principal amount of \$3.0 million, was on September 23, 2023. The second Pre-Advance of \$1.0 million was advanced on October 30, 2023.

On April 10, 2024, the Company and the Investor entered into a letter agreement (the "Letter Agreement") to amend the terms of the remaining outstanding Note providing that the Company will make payments on May 1, 2024, June 1, 2024 and July 1, 2024 each in the principal amount of \$350,000 plus an 8% payment premium and accrued interest. During the period through August 1, 2024, the Investor agreed that the application of any monthly payments that may become due and payable pursuant to Section 1(c) of the Notes (i.e., as a result of a Floor Price Trigger, or Exchange Cap Trigger) shall be suspended and the Investor shall not effect any Investor Notices of Conversions Notices, unless the Conversion Price is equal to the Fixed Price as such terms are defined in the SEPA, or with the consent of the Company.

The issuance of the above securities is exempt from the registration requirements under Rule 4(a)(2) of the Securities Act of 1933, as amended, and/or Rule 506 as promulgated under Regulation D.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

*Equity Grant Policy*

Recognizing the importance of adhering to appropriate practices and procedures when granting equity awards, on May 14, 2024, the Board of Directors adopted the Policy on Granting Equity Awards. Under this policy, the Compensation Committee of the Board of Directors may grant equity awards. The Compensation Committee may from time to time grant limited authority to the CEO to offer awards to new hires subject to Compensation Committee ratification. The policy established the following procedures for the Company to issue equity awards:

- Equity award grants to existing employees shall be made on a date when the Company's insider trading window is "open" (i.e., when the Company is not in possession of material non-public information), and which is at least three business days after the most recent release of the Company's quarterly or annual earnings, or Form 8-K Current Report that discloses material non-public information.
- With respect to grants made to named executive officers, the Company shall not grant and/or price of stock options or other incentive securities under any securities-based compensation arrangement of the Company during the period beginning four (4) business days before and ending one (1) business day after the filing by the

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Company of a Form 10-Q Quarterly Report, Form 10-K Annual Report or Form 8-K Current Report that discloses material non-public information.

- Grants of stock options to new hires (other than to new hires who will be Section 16 officers), or for promotions, retention or other special purposes will be described as subject to the approval of the Compensation Committee at its next scheduled meeting and the grant date of such stock options, if approved by the Compensation Committee, shall be the date of such meeting.
- Annual grants of equity awards to members of the Board of Directors shall be effective within three business days after the date of the Annual Stockholders Meeting at which such Director is elected or re-elected.

We plan to monitor and periodically review our equity grant policy to ensure compliance with plan rules and applicable law.

### *Board Compensation*

On March 26, 2024, the Board of Directors approved an updated compensation structure for members of the Board. The updated compensation structure provides that each member will receive \$22,000 in annual cash compensation consisting of \$22,000 in cash fees as well as 100,000 shares of common stock. Further, each committee member will receive an additional \$6,000 per year. The chairperson of the below committees will receive additional annual compensation:

- Chairperson of the Audit Committee will receive an additional \$4,000 in cash and 10,000 shares of common.
- Chairperson of the Compensation Committee will receive an additional \$4,000 in cash and 6,000 shares of common stock.
- Chairperson of the Governance and ESG Committees will receive an additional \$4,000 in cash and 4,000 shares of common stock.

### Merchant Cash Advance

On January 8, 2024, the Company entered into a Standard Merchant Cash Advance Agreement with Cedar Advance LLC ("Cedar") providing for the sale of receivables in the amount of \$2,055,000 for the purchase price of \$1,500,000. The Company granted Cedar a security interest in (a) all accounts, including without limitation, all deposit accounts, accounts-receivable, and other receivables, as those terms are defined by Article 9 of the Uniform Commercial Code (the "UCC"), now or hereafter owned or acquired by the Company; and (b) all proceeds, as that term is defined by Article 9 of the UCC. The Company agreed not to create, incur, assume, or permit to exist, directly or indirectly, any lien on or with respect to any of the Collateral. The Company intends to pay Cedar off in full at closing.

### Item 6. Exhibits

Exhibit No.	Exhibit Description
3.1+	<a href="#">Articles of Incorporation of Muscle Maker, Inc., a Nevada corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 14, 2019)</a>
3.2+	<a href="#">Bylaws of Muscle Maker, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on November 14, 2019)</a>
3.3+	<a href="#">Certificate of Change Pursuant to NRS 78.209 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on December 11, 2019)</a>

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3.4+	<a href="#">Certificate of Amendment to Articles of Incorporation of Muscle Maker, Inc., a Nevada corporation (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed on November 16, 2020)</a>
3.5+	<a href="#">Certificate of Amendment to Articles of Incorporation of Muscle Maker, Inc. (incorporated by reference to Exhibit 3.1 to the Registrants Current Report on Form 8-K filed on March 7, 2023)</a>
3.6+	<a href="#">Articles of Merger (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 26, 2023).</a>
4.1+	<a href="#">Form of Warrant to Purchase Common Stock dated April 9, 2021 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 12, 2021)</a>
4.2+	<a href="#">Form of Pre-Funded Warrant to Purchase Common Stock dated April 9, 2021 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on April 12, 2021)</a>
4.3+	<a href="#">Form of Warrant to Purchase Common Stock issued to A.G.P./Alliance Global Partners dated April 9, 2021 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed on April 12, 2021)</a>
4.4+	<a href="#">Form of Warrant to Purchase Common Stock dated November 22, 2021 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 22, 2021)</a>
4.5+	<a href="#">Form of Pre-Funded Warrant to Purchase Common Stock dated November 22, 2021 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on November 22, 2021)</a>
4.6+	<a href="#">Form of Placement Agent Warrant to Purchase Common Stock issued to A.G.P./Alliance Global Partners dated November 22, 2021 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed on November 22, 2021)</a>
4.7+	<a href="#">2021 Equity Incentive Plan (incorporated by reference to Exhibit 4.8 to the Registrant's Annual Report on Form 10-K filed on March 17, 2022)</a>
4.8+	<a href="#">2023 Equity Incentive Plan</a>
4.9	<a href="#">Description of Securities (Incorporated herein by reference to the Form 10-K Annual Report filed with the Securities and Exchange Commission on March 20, 2024)</a>

4.10+	<a href="#">Form of Additional Warrant – Altium Growth Fund Ltd. (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 27, 2023.)</a>
10.1+	<a href="#">Form of Securities Purchase Agreement, dated April 7, 2021, between Muscle Maker, Inc. and the Purchaser* (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 12, 2021)</a>
10.2+	<a href="#">Form of Securities Purchase Agreement, dated November 17, 2021, between Muscle Maker, Inc. and the Purchasers* (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 22, 2021)</a>
10.3+	<a href="#">Form of Registration Rights Agreement, dated November 17, 2021, between Muscle Maker, Inc. and the Purchasers (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 22, 2021)</a>
10.4+	<a href="#">Form of Securities Purchase Agreement, dated April 7, 2021, between Muscle Maker, Inc. and the Purchaser* (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 12, 2021)</a>
10.5+	<a href="#">Form of Director Agreement dated July 16, 2019 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 10, 2019)</a>
10.6+	<a href="#">Services Agreement between Muscle Maker, Inc., Sadot LLC and Aggia LLC FC dated November 14, 2022 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.7+	<a href="#">Addendum 1 to Services Agreement between Muscle Maker, Inc., Sadot LLC and Aggia LLC FC dated November 17, 2022 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.8+	<a href="#">Limited Liability Operating Agreement of Sadot LLC dated November 16, 2022 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.9+	<a href="#">Executive Employment Agreement between Muscle Maker, Inc. and Michael Roper dated November 16, 2022 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.10+	<a href="#">Executive Employment Agreement between Muscle Maker, Inc. and Jennifer Black dated November 16, 2022 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.11+	<a href="#">Executive Employment Agreement between Muscle Maker, Inc. and Kevin Mohan dated November 16, 2022 (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.12+	<a href="#">Executive Employment Agreement between Muscle Maker, Inc. and Kenn Miller dated November 16, 2022 (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>

10.13+	<a href="#">Executive Employment Agreement between Muscle Maker, Inc. and Aimee Infante dated November 16, 2022 (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed on November 18, 2022)</a>
10.14+	<a href="#">Standby Equity Purchase Agreement dated September 22, 2023 between Sadot Group, Inc. and YA II PN, Ltd. (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 26, 2023)</a>
10.15+	<a href="#">Form of Convertible Promissory notes issued to YA II PN, Ltd. (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 26, 2023)</a>
10.16+	<a href="#">Global Guaranty Agreement dated September 22, 2023 between Sadot Group, Inc. and YA II PN, Ltd. (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 26, 2023)</a>
10.17+	<a href="#">Registration Rights Agreement dated September 22, 2023 between Sadot Group, Inc. and YA II PN, Ltd. (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on September 26, 2023)</a>
10.18+	<a href="#">Addendum 2 to the Service Agreement entered between Muscle Maker Inc., Sadot LLC and Aggia LLC FX dated July 14, 2023 (Incorporated herein by reference to the Form 8-K Current Report filed with the Securities and Exchange Commission on July 18, 2023)</a>
21.1	<a href="#">List of Subsidiaries (Incorporated herein by reference to the Form 10-K Annual Report filed with the Securities and Exchange Commission on March 20, 2024)</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2*	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
97.1	<a href="#">Policy for the Recovery of Erroneously Awarded Compensation adopted February 1, 2024 (Incorporated herein by reference to the Form 10-K Annual Report filed with the Securities and Exchange Commission on March 20, 2024)</a>
99.1*	<a href="#">Policy on Granting Equity Awards</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Schema Document*
101.CAL	Inline XBRL Calculation Linkbase Document*
101.DEF	Inline XBRL Definition Linkbase Document*
101.LAB	Inline XBRL Label Linkbase Document*

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101.PRE	Inline XBRL Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

† Includes management contracts and compensation plans and arrangements

\*Filed herewith.

+Previously filed

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SADOT GROUP INC. (f/k/a MUSCLE MAKER, INC.)**

By: */s/ Michael J. Roper*

Michael J. Roper

Chief Executive Officer (Principal Executive Officer)

Dated: May 15, 2024

By: */s/ Jennifer Black*

Jennifer Black

Chief Financial Officer (Principal Financial Officer)

## SECTION 302 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Michael J. Roper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sadot Group Inc. (f/k/a Muscle Maker, Inc., Inc.);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

By: /s/ Michael J. Roper  
Michael J. Roper  
Chief Executive Officer  
(Principal Executive Officer)

## SECTION 302 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jennifer Black, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sadot Group Inc. (f/k/a Muscle Maker, Inc, Inc.);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

By: /s/ Jennifer Black

Jennifer Black

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report of Sadot Group Inc. (f/k/a Muscle Maker, Inc, Inc.), (the "Company") on Form 10-Q for the three months ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Michael J. Roper, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

By: /s/ Michael J. Roper

Michael J. Roper  
Chief Executive Officer  
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Sadot Group Inc. (f/k/a Muscle Maker, Inc. Inc.), (the "Company") on Form 10-Q for the three months ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Jennifer Black, Chief Financial Officer of the Company certifies, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

By: /s/ Jennifer Black

Jennifer Black  
Chief Financial Officer  
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**SADOT GROUP INC. POLICY ON GRANTING EQUITY AWARDS**  
**ADOPTED ON May 14, 2024**

**A. Introduction**

The Board of Directors of Sadot Group Inc. (the "Company") recognizes the importance of adhering to specific practices and procedures in the granting of equity awards. This policy shall apply to all grants of equity awards by the Company. Equity awards are any compensatory award granted under the Company's equity compensation plans (or otherwise) in the form of the Company's common stock or any derivative of the Company's common stock, including, without limitation, stock options, restricted stock, restricted stock units or performance shares.

This policy is intended solely to provide guidance with respect to the Company's equity award granting practices and the Company intends to develop additional administrative procedures to supplement this policy in order to more fully implement the Company's equity programs, including without limitation, the handling, internal review and dissemination of grant proposals, grant records and the tracking of related award information (including grant details, vesting, cancellation or expiration of awards, tax withholdings compliance with Sections 162(m) and 409A of the Internal Revenue Code of 1986, as amended and Section 16 of the Securities Exchange Act of 1934).

Such supplemental guidelines may be adopted and/or amended with the approval of the Company's Chief Financial Officer and General Counsel without ratification by the Compensation Committee to the extent such guidelines do not conflict, in the reasonable judgment of such officers, with the policies and procedures specifically set forth herein.

**B. Authority to Grant Awards**

Only the Compensation Committee of the Board of Directors or the Board of Directors, as applicable, may grant equity awards.

**C. Procedure for Granting Awards**

Broad based equity award grants to existing employees may only be made by the Compensation Committee. Such awards shall be made on a date which is at least five business days after the most recent release of the Company's quarterly or annual earnings and when the Company's insider trading window is "open" (i.e., when the Company is not in possession of material non-public information), provided that any employee on a then currently active Restricted Trading List will be excluded from participating in such broad based equity award. The grant date of broad based equity awards approved at a meeting of the Compensation Committee shall be the date of such meeting. The exercise price for all equity awards will be the closing price on the date of grant. With respect to grants made to named executive officers (as such term is defined under Item 402 of Regulation S-K), the Company shall not grant and/or price of stock options or other incentive securities under any securities-based compensation arrangement of the Company during the period beginning four (4) business days before and ending one (1) business day after the filing by the Company of a Form 10-Q Quarterly Report, Form 10-K Annual Report or Form 8-K Current Report that discloses material non-public information (other than a current report on Form 8-K disclosing a material new option award grant under Item 5.02(e) of that form). Such awards shall be made on a date which is at least five business days after the most recent release of the Company's quarterly or annual earnings and when the Company's insider trading window is "open" (i.e., when the Company is not in possession of material non-public information).

Grants of stock options to new hires (other than to new hires who will be Section 16 officers), or for promotions, retention or other special purposes will be described as subject to the approval of the Compensation Committee at its next scheduled meeting. The grant date of such stock options, if approved by the Compensation Committee, shall be the date of such meeting. The exercise price for all equity awards will be the closing price on the date of grant. Grants of stock options to new hires who will or may be Section 16 officers will be subject to the prior approval of the Compensation Committee at a meeting, which will be held prior to the employment start date of the Section 16 officer. The grant date of such stock options will be the Section 16 officer's first day of employment and the exercise price will be the closing price on the date of grant.

Annual grants of equity awards to members of the Board of Directors (the "Directors") shall be effective within three business days after the date of the Annual Stockholders Meeting at which such Director is elected or re-elected. For Directors appointed other than at an Annual Stockholders Meeting, initial grants of equity awards shall

be effective on the date the Director is appointed. The exercise price for all equity awards will be the closing price on the effective date of grant.

The Stock Plan Administrator will prepare a list of equity grants to be considered by the Compensation Committee, which list will include the grantee's name, the proposed number of shares or options to be granted, and the vesting terms. This list will be reviewed by the Chief Financial Officer and the Equity Compensation Compliance Officer before submission to the Compensation Committee for approval.

The list will be submitted to the Compensation Committee in advance of the scheduled meeting. Grants made by the Compensation Committee will occur only at meetings of the Compensation Committee (including telephonic meetings), and may not occur through action by written consent. The minutes of meetings at which grants of equity awards are made must include the names of the grantees, the number of options or shares granted to each grantee, and the vesting terms.

All grants will be made pursuant to a standard form of award agreement previously approved by the Compensation Committee unless the Compensation Committee determines otherwise. A copy of the minutes of the Compensation Committee meeting shall be provided to the Stock Plan Administrator for reconciliation with the stock plan database.

#### **D. Error Correction Process**

No additions or changes to the list of approved equity awards that was submitted to and approved by the Compensation Committee may be made once such list has been approved. In the event that a list contains an omission, the correction will be made by including any omitted grant in the next planned issuance of equity grants. If an error or omission occurs, depending on the reason for the error or omission, a decision may be made (but is not required) to adjust the amount of the later grant or the vesting schedule to compensate for the delayed vesting or change in exercise price from the intended grant date to the actual grant date provided all modifications are properly documented and explained.

#### **E. Award Packages**

The Stock Plan Administrator will distribute equity award packages to all grantees promptly. The Stock Plan Administrator will annually review all standard forms of equity grant agreements and will obtain the approval of the Compensation Committee for any proposed modifications.

#### **F. Equity Compensation Compliance**

The compensation committee has designated a single individual at the Company as the person charged with equity compensation compliance for purposes of assisting the Compensation Committee with the administration and oversight of this policy. The Equity Compensation Compliance Officer shall periodically report to and update the Compensation Committee regarding the procedures and practices relating to the granting of equity awards and shall perform such other tasks as reasonably requested by the Committee related to the implementation and oversight of this policy.

#### **G. Revisions**

The Board of Directors or the Compensation Committee shall have the authority to revise this Policy.