

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2023

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

For the transition period from _____ to _____

Commission file number 001-41845

DOMINARI HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-0849320

(I.R.S. Employer
Identification No.)

725 5th Avenue, 22nd Floor, New York, NY 10022

(Address of Principal Executive Offices, including zip code)

(212) 393-4540

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 such files.) Yes ☒ No ☐

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
Emerging growth company	<input 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 Exchange Act). Yes ☐ No ☒

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	DOMH	The Nasdaq Capital Market LLC

As of November 6, 2023, there were 5,345,312 shares of the Company's common stock issued and outstanding.

DOMINARI HOLDINGS INC.
Form 10-Q
For the Quarter Ended September 30, 2023

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DOMINARI HOLDINGS INC.
Condensed Consolidated Balance Sheets
(\$ in thousands except share and per share amounts)
(Unaudited)

	September 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,388	\$ 33,174
Marketable securities	16,274	7,130
Deposits with clearing broker	7,172	-
Prepaid expenses and other assets	715	564
Prepaid acquisition cost	-	301
Short-term investments at fair value	1	13
Notes receivable, at fair value - current portion	6,336	7,474
Investment in Fieldpoint Securities	-	2,000
Total current assets	34,886	50,656
Property and equipment, net	361	-
Notes receivable, at fair value - non-current portion	1,372	1,100
Employee forgivable loan receivable	7	-
Investments	22,696	23,103
Right-of-use assets	3,426	919
Security deposit	458	458
Total assets	\$ 63,206	\$ 76,236
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 315	\$ 447
Accrued salaries and benefits	632	1,260
Accrued commissions	177	-
Lease liability - current	411	82
Other current liability	187	-
Total current liabilities	1,722	1,789
Lease liability	3,137	680
Total liabilities	4,859	2,469
Stockholders' equity		

Preferred stock, \$0.0001 par value, 50,000,000 authorized

Series D: 5,000,000 shares designated; 3,825 shares issued and outstanding at September 30, 2023 and December 31, 2022; liquidation value of \$0.0001 per share	-	-
Series D-1: 5,000,000 shares designated; 834 shares issued and outstanding at September 30, 2023 and December 31, 2022; liquidation value of \$0.0001 per share	-	-
Common stock, \$0.0001 par value, 100,000,000 shares authorized; 5,345,312 and 5,485,096 shares issued at September 30, 2023 and December 31, 2022, respectively; 5,285,164 and 5,017,079 shares outstanding at September 30, 2023 and December 31, 2022, respectively	-	-
Additional paid-in capital	260,695	262,970
Treasury stock, at cost, 60,148 and 468,017 shares at September 30, 2023 and December 31, 2022, respectively	(501)	(3,322)
Accumulated deficit	(201,847)	(185,881)
Total stockholders' equity	58,347	73,767
Total liabilities and stockholders' equity	\$ 63,206	\$ 76,236

See accompanying notes to unaudited condensed consolidated financial statements.

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DOMINARI HOLDINGS INC.
Condensed Consolidated Statements of Operations
(\$ in thousands except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 963	\$ -	\$ 1,034	\$ -
Operating costs and expenses				
General and administrative	\$ 4,067	\$ 4,515	\$ 16,980	\$ 8,564
Research and development	-	61	3	2,113
Research and development - license acquired		525	-	525
Total operating expenses	4,067	5,101	16,983	11,202
Loss from operations	(3,104)	(5,101)	(15,949)	(11,202)
Other income (expenses)				
Other income	-	-	-	64
Interest income	208	187	505	586
(Loss) gain on marketable securities	(150)	(1,654)	185	(4,390)
Unrealized loss on note receivable	-	-	(212)	-
Change in fair value of investments	(495)	329	(495)	91
Total other (expenses) income	(437)	(1,138)	(17)	(3,649)
Net loss	\$ (3,541)	\$ (6,239)	\$ (15,966)	\$ (14,851)
Deemed dividends related to Series O and Series P Redeemable Convertible Preferred Stock	-	-	-	(4,109)
Net Loss Attributable to Common Shareholders	\$ (3,541)	\$ (6,239)	\$ (15,966)	\$ (18,960)
Net loss per share, basic and diluted				
Basic and Diluted	\$ (0.66)	\$ (1.17)	\$ (3.09)	\$ (3.59)
Weighted average number of shares outstanding, basic and diluted				
Basic and Diluted	5,345,312	5,344,989	5,159,501	5,283,182

See accompanying notes to unaudited condensed consolidated financial statements.

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DOMINARI HOLDINGS INC.
Condensed Consolidated Statements of Changes in Redeemable Convertible Preferred Stock and Stockholders' Equity
(\$ in thousands except share and per share amounts)
(Unaudited)

For the Three Months Ended September 30, 2023 and 2022

	Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		Shares	Amount		
Balance at June 30, 2023	4,659	\$ -	5,345,312	\$ -	\$ 260,585	60,148	\$ (501)	\$ (198,306)	\$ 61,778
Stock-based compensation	-	-	-	-	110	-	-	-	110
Net loss	-	-	-	-	-	-	-	(3,541)	(3,541)
Balance at September 30, 2023	4,659	\$ -	5,345,312	\$ -	\$ 260,695	60,148	\$ (501)	\$ (201,847)	\$ 58,347

	Series O		Series P		Common Stock		Preferred Stock		Additional Paid-in	Treasury Stock		Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	Equity
Balance at June 30, 2022	-	\$ -	-	\$ -	5,246,852	\$ -	4,659	\$ -	\$ 261,603	242,902	\$ (1,750)	\$ (172,386)	\$ 87,467
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	102,080	(751)	-	(751)
Stock-based compensation	-	-	-	-	238,244	-	-	-	1,370	-	-	-	1,370
Net loss	-	-	-	-	-	-	-	-	-	-	-	(6,239)	(6,239)
Balance at September 30, 2022	-	\$ -	-	\$ -	5,485,096	\$ -	4,659	\$ -	\$ 262,973	344,982	\$ (2,501)	\$ (178,625)	\$ 81,847

For the Nine Months Ended September 30, 2023 and 2022

	Preferred Stock		Common Stock		Additional Paid-in	Treasury Stock		Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	Equity
Balance at December 31, 2022	4,659	\$ -	5,485,096	\$ -	\$ 262,970	468,017	\$ (3,322)	\$ (185,881)	\$ 73,767
Stock-based compensation	-	-	529,715	-	1,485	-	-	-	1,485
Cancellation of common stock	-	-	(25,000)	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	236,630	(939)	-	(939)
Retirement of treasury stock	-	-	(644,499)	-	(3,760)	(644,499)	3,760	-	-
Net loss	-	-	-	-	-	-	-	(15,966)	(15,966)
Balance at September 30, 2023	4,659	\$ -	5,345,312	\$ -	\$ 260,695	60,148	\$ (501)	\$ (201,847)	\$ 58,347

	Redeemable Convertible Preferred Stock				Common Stock		Preferred Stock		Additional Paid-in	Treasury Stock		Accumulated	Total Stockholders'
	Series O		Series P		Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Shares	Amount	Deficit	Equity
Balance at December 31, 2021	-	\$ -	-	\$ -	5,275,329	\$ -	4,659	\$ -	\$ 265,633	-	\$ (264)	\$ (163,774)	\$ 101,595
Issuance of Series O redeemable convertible preferred stock for cash	11,000	11,000	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series P redeemable convertible preferred stock for cash	-	-	11,000	11,000	-	-	-	-	-	-	-	-	-
Cost on issuance of Series O and Series P Redeemable Convertible Preferred Stock	-	(1,504)	-	(1,505)	-	-	-	-	-	-	-	-	-
Deemed dividends related to Series O and Series P Redeemable Convertible Preferred Stock	-	1,504	-	1,505	-	-	-	-	(4,109)	-	-	-	(4,109)
Redemption of Series O Redeemable Convertible Preferred Stock	(11,000)	(11,000)	-	-	-	-	-	-	-	-	-	-	-
Redemption of Series P Redeemable Convertible Preferred Stock	-	-	(11,000)	(11,000)	-	-	-	-	-	-	-	-	-
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	344,982	(2,237)	-	(2,237)
Stock-based compensation	-	-	-	-	238,244	-	-	-	1,475	-	-	-	1,475
Cancellation of common stock related to investment in CBM	-	-	-	-	(22,812)	-	-	-	-	-	-	-	-
Fractional shares adjusted for reverse split	-	-	-	-	(5,665)	-	-	-	(26)	-	-	-	(26)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(14,851)	(14,851)
Balance at September 30, 2022	-	\$ -	-	\$ -	5,485,096	\$ -	4,659	\$ -	\$ 262,973	344,982	\$ (2,501)	\$ (178,625)	\$ 81,847

DOMINARI HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows
(\$ in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (15,966)	\$ (14,851)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of right-of-use assets	268	23
Depreciation	57	-
Change in fair value of short-term investment	12	1,517
Change in fair value of long-term investment	482	(1,608)
Research and development-acquired license, expensed	-	525
Stock-based compensation	1,485	1,475
Realized loss on marketable securities	1,249	712
Unrealized (gain) loss on marketable securities	(897)	3,889
Unrealized loss on note receivable	212	-
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(229)	(344)
Prepaid acquisition cost	301	-
Clearing broker deposits	(3,622)	-
Accounts payable and accrued expenses	(345)	137
Accrued salaries and benefits	(628)	659
Accrued commissions	152	-
Lease liabilities	11	12
Other current liabilities	66	-
Notes receivable, at fair value – net interest accrued	(96)	(521)
Deposit	-	(295)
Net cash used in operating activities	<u>(17,488)</u>	<u>(8,670)</u>
Cash flows from investing activities		
Purchase of marketable securities	(34,068)	(27,479)
Sale of marketable securities	24,572	28,503
Proceeds from sale of digital currencies	-	93
Purchase of fixed assets	(419)	-
Acquisition of FPS, net of cash acquired and receivable owed from FPS	(1,112)	-
Collection of principal on note receivable	850	-
Funds to employee forgivable loan	(107)	-
Purchase of research and development licenses	-	(525)
Purchase of short-term and long-term investments	(75)	(15,016)
Purchase of short-term and long-term promissory notes	-	(1,600)
Net cash used in investing activities	<u>(10,359)</u>	<u>(16,024)</u>
Cash flows from financing activities		
Proceeds from issuance of Series O and Series P Redeemable Convertible Preferred Stock, net of discount and offering cost	-	17,891
Payment for fractional shares	-	(26)
Redemption of Series O and Series P Redeemable Convertible Preferred Stock	-	(22,000)
Purchase of treasury stock	(939)	(2,237)
Net cash used in financing activities	<u>(939)</u>	<u>(6,372)</u>
Net decrease in cash and cash equivalents and restricted cash	(28,786)	(31,066)
Cash and cash equivalents, beginning of period	33,174	65,562
Cash and cash equivalents, end of period	<u>\$ 4,388</u>	<u>\$ 34,496</u>
Non-cash investing and financing activities		
Transfer from short-term investment to marketable securities	\$ -	\$ 1,497
Reclassify from convertible note receivable to notes receivable at fair value	\$ -	\$ 2,147
Promissory convertible note receivable conversion into common shares	\$ -	\$ 899
On March 27, 2023, the Company acquired all assets and liabilities of FPS as disclosed in Note 4:		
Net assets acquired, net of cash acquired and receivable owed from FPS	\$ 3,112	
Less - Deposit previously transferred in October 2022 to FPS	\$ (2,000)	
Net cash paid	<u>\$ 1,112</u>	

See accompanying notes to unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Organization and Description of Business and Recent Developments

Organization and Description of Business

Dominari Holdings Inc. (the "Company"), formerly Aikido Pharma, Inc., was founded in 1967 as Spherix Incorporated. Since 2017, the Company has operated as a biotechnology company with a diverse portfolio of small-molecule anticancer and antiviral therapeutics and their related patent technology. In an effort to enhance shareholder value, in June of 2022, the Company formed a wholly owned financial services subsidiary, Dominari Financial Inc. ("Dominari Financial"), with the intent of shifting the Company's primary operating focus away from biotechnology to the fintech and financial services industries. Through Dominari Financial, the Company acquired Dominari Securities LLC ("Dominari Securities"), an introducing broker-dealer, registered with the Financial Industry Regulatory Authority ("FINRA") and an investment adviser registered with the Securities and Exchange Commission ("SEC"). Dominari Securities provides investment advisory services and annuity and insurance products of certain insurance carriers as an insurance agency through independent and affiliated brokers.

Related to the shift described above, Aikido Labs, LLC ("Aikido Labs"), a wholly owned subsidiary of the Company, is in the process of winding down its historical pipeline of biotechnology assets. Aikido Labs has historically explored opportunities in high growth industries and has equity holdings including Anduril Industries, Inc., Databricks, Inc., Discord, Inc., Epic Games, Inc., Payward, Inc. dba Kraken, Space Exploration Technologies Corp. dba SpaceX, Tevva Motors Ltd., Thrasio, LLC, and Yanka Industries, Inc. dba Masterclass.

Note 2. Liquidity and Capital Resources

The Company continues to incur ongoing administrative and other expenses, including public company expenses, in excess of corresponding (non-financing related) revenue. While the Company continues to implement its business strategy, it intends to finance its activities through managing current cash on hand from the Company's past equity offerings.

Based upon projected cash flow requirements, the Company has adequate cash and cash equivalents and marketable securities to fund its operations for at least the next twelve months from the date of the issuance of these unaudited condensed consolidated financial statements.

Note 3. Summary of Significant Accounting Policies

There have been no material changes in the Company's significant accounting policies from those previously disclosed in the 2022 Annual Report.

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"), and in conformity with the rules and regulations of the SEC. In the opinion of management, these financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of the results of the interim periods presented. The condensed consolidated balance sheet as of September 30, 2023, condensed consolidated statements of operations for the three and nine months ended September 30, 2023 and 2022, condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2023 and 2022, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of results to be expected for the year ending December 31, 2023 or for any future interim period. The condensed consolidated balance sheet at December 31, 2022 has been derived from audited financial statements; however, it does not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2022.

The Company's policy is to consolidate all entities that it controls by ownership of a majority of the membership interest or outstanding voting stock. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Aikido Labs, Dominari Financial, and Dominari Securities. All significant intercompany balances and transactions have been eliminated in consolidation.

Results for interim periods are not necessarily indicative of results to be expected for a full year or any future period.

Use of Estimates

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. This requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenue and expenses during the period. The Company's significant estimates and assumptions include stock-based compensation, the valuation of investments, the valuation of notes receivable and the valuation allowance related to the Company's deferred tax assets. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates and assumptions.

Deposits with clearing broker

Deposits with Dominari Securities' clearing broker consisted of approximately \$ 7.2 million held in money market funds and liquid insured deposits maintained by the Company with its clearing broker as of September 30, 2023.

Leases

The Company accounts for its leases under ASC 842, *Leases* ("ASC 842"). Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are recorded on the unaudited condensed consolidated balance sheet as both a right-of-use asset and lease liability, calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the right-of-use asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the right-of-use asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the right-of-use asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred (see Note 10 - *Leases*).

Revenue

The Company recognizes revenues under ASC 606 - *Revenue from Contracts with Customers* ("ASC 606"). Revenues are recognized when control of the promised goods or performance obligations for services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for the goods or services.

The following provides detailed information on the recognition of the Company's revenues from contracts with customers:

- Underwriting services include underwriting and placement agent services in both the equity and debt capital markets, including private equity placements, initial public offerings, follow-on offerings, and underwriting and distributing public and private debt. Underwriting and placement agent revenues are recognized at a point in time on trade-date, as the client obtains the control and benefit of the underwriting offering at that point. Costs associated with underwriting transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded and are recorded on a gross basis within the general and administrative line item in the unaudited condensed consolidated statements of operations as the Company is acting as a principal in the arrangement. Any expenses reimbursed by the Company's clients are recognized as other income.
- Commissions are earned by executing, transactions for clients primarily in equity, equity-related, and debt products. Commission revenues associated with trade execution are recognized at a point in time on trade-date. Commissions revenues are generally paid on settlement date and the Company records receivables to account for timing between trade-date and payment on settlement date.
- Account advisory fees are earned in connection with investment advisory services. Account advisory fees are recognized over time using the time elapsed method as the Company determined that the customer simultaneously receives and consumes the benefits of investment advisory services as they are provided. Account advisory fees are generally paid in advance of a specified service period (e.g. quarterly) and are initially deferred within in our Condensed Consolidated Balance Sheet.

Long-term investments

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01 and related ASU 2018-03 and ASU 2019-04 concerning recognition and measurement of financial assets and financial liabilities. In adopting this guidance, the Company has made an accounting policy election to adopt an adjusted cost method measurement alternative for investments in equity securities without readily determinable fair values.

For equity investments that are accounted for using the measurement alternative, the Company initially records equity investments at cost but is required to adjust the carrying value of such equity investments through earnings when there is an observable transaction involving the same or a similar investment with the same issuer or upon an impairment.

Recently adopted accounting standards

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"). This update amends Topic 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities in accordance with ASC 606. The Company adopted ASU 2021-08 on January 1, 2023. There was no material impact to the Company's unaudited condensed consolidated financial statements from the implementation of ASU 2021-08.

Effect of new accounting pronouncements not yet adopted

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring the fair value of the equity security. ASU 2022-03 also clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments in ASU 2022-03 may be early adopted and are effective on a prospective basis for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company is currently evaluating the impact of the amendments on the Company's consolidated financial statements and whether it will early adopt the amendments in ASU 2022-03.

In March 2023, the FASB issued ASU 2023-01, *Leases*, to require entities to classify and account for leases with related parties on the basis of legally enforceable terms and conditions of the arrangement. The amendments are effective in periods beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated financial statements and whether it will early adopt the amendments in ASU 2023-01.

Effect of new accounting pronouncements to be adopted in future periods

The Company reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact on these unaudited condensed consolidated financial statements.

Note 4. FPS Acquisition

On September 9, 2022, Dominari Financial entered into a membership interest purchase agreement, as amended and restated on March 27, 2023 (the "FPS Purchase Agreement") with Fieldpoint Private Bank & Trust ("Seller"), a Connecticut bank, for the purchase of its wholly owned subsidiary, Fieldpoint Private Securities, LLC, a Connecticut limited liability company ("FPS"), that is a broker-dealer registered with FINRA and an investment adviser registered with the SEC (the "FPS Acquisition"). Pursuant to the terms of the FPS Purchase Agreement, Dominari Financial purchased from the Seller 100% of the membership interests in FPS (the "FPS Membership Interests"). FPS's registered broker-dealer and investment adviser businesses were renamed and will operate as Dominari Securities, a wholly owned subsidiary of Dominari Financial. The FPS Purchase Agreement provided for Dominari Financial's acquisition of FPS's Membership Interests in two closings, the first of which occurred on October 4, 2022 (the "Initial Closing"), at which Dominari Financial paid to the Seller \$2.0 million in consideration for a transfer by the Seller to Dominari Financial of 20% of the FPS Membership Interests. Following the Initial Closing, FPS filed a continuing membership application requesting approval for a change of ownership, control, or business operations with FINRA in accordance with FINRA Rule 1017 (the "Rule 1017 Application"). The Rule 1017 Application was approved by FINRA on March 20, 2023. The second closing (the "Second Closing") occurred on March 27, 2023. Dominari Financial paid to the Seller an additional

approximate \$1.6 million consideration for a transfer by the Seller to Dominari Financial of the remaining 80% of the FPS Membership Interests.

Consideration Transferred

The FPS Acquisition was accounted for as a business combination under ASC 805.

Under the terms of the FPS Purchase Agreement and subsequent amendments and side letters to the agreement 100% of the FPS Membership Interests were acquired for cash consideration of approximately \$3.4 million, which reflected the fair value of net assets acquired, plus a \$ 1 purchase price. At March 31, 2023, Dominari Financial had not finalized the purchase accounting related to the fair value of assets acquired in the FPS Acquisition. Pursuant to the Initial Closing and Second Closing, Dominari Financial had wired a total of approximately \$3.6 million in cash to the Seller. The purchase price allocation identified net assets of approximately \$3.4 million, resulting in a receivable due from the Seller for approximately \$ 0.2 million. The receivable is not included within the consideration transferred as part of the FPS Acquisition but is included within prepaid expenses and other assets within the unaudited condensed consolidated balance sheet as of March 31, 2023.

Under the acquisition method of accounting, the assets acquired, and liabilities assumed of FPS were recorded as of the acquisition date, at their respective fair values, and consolidated with those of the Company. Acquisition-related costs are not included as a component of consideration transferred but are expensed in the periods in which costs are incurred. The Company incurred approximately \$0.3 million of transaction costs associated with the FPS Acquisition. The transaction costs are included in general and administrative expenses in the unaudited condensed consolidated statement of operations.

Fair Value of Net Assets Acquired

The following table summarizes the fair values of the assets acquired and liabilities assumed of FPS at the date of acquisition (\$ in thousands):

	March 27, 2023 (Unaudited)
ASSETS	
Cash and cash equivalents	\$ 92
Deposits with Clearing Broker-Dealer	3,550
Other receivables	53
Prepaid and other current assets	89
Total assets acquired	3,784
Liabilities	
Accrued expenses	\$ 273
Accrued commissions	25
Wealth management liabilities	62
Total liabilities assumed	360
Total net assets of FPS Acquisition	3,424

Note 5. Investments in Marketable Securities

The realized gain or loss, unrealized gain or loss, and dividend income related to marketable securities for the three and nine months ended September 30, 2023 and 2022, which are recorded as a component of gains and (losses) on marketable securities on the unaudited condensed consolidated statements of operations, are as follows (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Realized loss	\$ (762)	\$ (144)	\$ (1,249)	\$ (712)
Unrealized gain (loss)	382	(1,589)	897	(3,889)
Dividend income	230	79	537	211
Total	<u>\$ (150)</u>	<u>\$ (1,654)</u>	<u>\$ 185</u>	<u>\$ (4,390)</u>

Note 6. Short-term investments

The following table presents the Company's short-term investments as of September 30, 2023, and December 31, 2022 (\$ in thousands):

	September 30, 2023	December 31, 2022
Investment in Vicinity Motor Corp.	1	13
Total	<u>1</u>	<u>13</u>

There was approximately \$12,000 reduction in the fair value of the short-term investments for the nine months ended September 30, 2023.

The following table provides quantitative information regarding Level 3 fair value measurement inputs at their measurement dates:

	September 30, 2023	December 31, 2022
Option term (in years)	1.1	1.8
Volatility	67.2%	76.90%
Risk-free interest rate	5.43%	4.47%
Expected dividends	0.00%	0.00%
Stock price	\$ 0.95	\$ 0.96

Note 7. Long-Term Investments

The Company holds interests in several privately held companies as long-term investments that the Company perceives as potential IPO candidates. The following table presents the Company's long-term investments as of September 30, 2023, and December 31, 2022 (\$ in thousands):

	Cost Basis	September 30, 2023	December 31, 2022
Investment in Kerna Health Inc	\$ 2,140	\$ 4,940	\$ 4,940
Investment in Kaya Now	1,500	-	-
Investment in Tevva Motors	1,972	2,794	2,794
Investment in ASP Isotopes	1,300	-	-
Investment in Unusual Machines	1,075	1,033	1,000
Investment in Qxpress	1,000	1,000	1,000
Investment in Masterclass	170	170	170
Investment in Kraken	597	597	597
Investment in Epic Games	3,500	3,500	3,500
Investment in Tesspay	1,240	2,500	2,500
Investment in SpaceX	3,500	3,674	3,674
Investment in Databricks	1,200	760	1,200
Investment in Discord	476	476	476
Investment in Thrasio	300	300	300
Investment in Automation Anywhere	476	476	476
Investment in Anduril	476	476	476
Total	\$ 20,922	\$ 22,696	\$ 23,103

Investment in Unusual Machines, Inc.

On November 22, 2021, the Company entered into an agreement (the "AerocarveUS Agreement") with AerocarveUS Corporation, ("AerocarveUS"). Under the AerocarveUS Agreement, the Company agreed to purchase 250,000 shares of common stock of AerocarveUS for \$ 1.0 million. AerocarveUS changed its name to "Unusual Machines, Inc." on July 5, 2022. In March of 2023, the Company was issued an additional 64,377 shares at no cost. In June 2023, the Company purchased an additional 150,000 shares of common stock for approximately \$0.08 million. On July 10, 2023, Unusual Machines, Inc. effected a reverse stock split pursuant to which each two shares of common stock of the Corporation issued and outstanding was combined and reclassified into one share of common stock of the Corporation. The investment in Unusual Machines, Inc. was valued at approximately \$1.0 million as of September 30, 2023.

Note 8. Notes Receivable

The following table presents the Company's notes receivable as of September 30, 2023 (\$ in thousands):

	Maturity Date	Stated Interest Rate	Principal Amount	Interest Receivable	Fair Value
Notes receivable, at fair value					
Convergent convertible note - current	01/29/2023	8%	\$ 1,000	\$ 125	\$ 1,125
Convergent convertible note - non-current	01/29/2023	8%	\$ 250	\$ -	\$ 250
Raefan Industries LLC Investment	12/31/2023	8%	\$ 4,493	\$ 717	\$ 5,210
American Innovative Robotics Investment	04/01/2027	8%	\$ 1,100	\$ 22	\$ 1,122
Notes receivable, at fair value - current portion					\$ 6,336
Notes receivable, at fair value - non-current portion					\$ 1,372

Convergent Therapeutics, Inc. Investment

The Company's 8% convertible promissory note ("Convergent Convertible Note") issued by Convergent Therapeutics, Inc. ("Convergent") in the principal amount of approximately \$1.8 million pursuant to a Note Purchase Agreement matured on January 29, 2023. Upon maturity, Convergent entered into a contractual repayment schedule with the Company. Pursuant to the schedule, Convergent will make a total of eight payments in the amount of \$250 thousand and accrued interest, every three months until fully satisfied.

The principal balance of the Convergent Convertible Note was approximately \$1.3 million as of September 30, 2023. The Company recorded principal repayment of \$0.8 million and interest income of approximately \$0.2 million on the Convergent Convertible Note for the nine months ended September 30, 2023.

Raefan Industries LLC Investment

The Company recorded an interest income receivable of approximately \$0.7 million on the Raefan Industries Promissory Note as of September 30, 2023 and an unrealized loss on the note of approximately \$0.2 million.

American Innovative Robotics, LLC Investment

The Company recorded interest income of approximately \$67,000 on the Robotics Promissory Note for the nine months ended September 30, 2023.

Kaya Now Inc. Investment

During the fourth quarter of 2022, the Company identified indicators of impairment for the Kaya investment as a result of adverse changes in Kaya's business operations, including liquidity concerns. As a result, the Company recorded an impairment charge of \$0.5 million in the fourth quarter of 2022. The impairment charge represents an impairment loss of the total investment held as a promissory note resulting in a \$0 balance for the Kaya Now Promissory Note as of September 30, 2023.

The Company received and recorded interest income related to the Kaya Now Promissory Note of approximately \$ 10,000 for the nine months ended September 30, 2023.

Note 9. Fair Value of Financial Assets and Liabilities

Financial instruments, including cash and cash equivalents, accounts payable and accrued liabilities are carried at cost, which management believes approximates fair value due to the short-term nature of these instruments. The Company measures the fair value of financial assets and liabilities based on 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. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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The Company uses 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 that are unobservable (for example, cash flow modeling inputs based on assumptions)

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

The following table presents the Company's assets and liabilities that are measured at fair value as of September 30, 2023, and December 31, 2022 (\$ in thousands):

Fair value measured as of September 30, 2023				
	Total at September 30, 2023	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Marketable securities:				
Equities	\$ 16,274	\$ 16,274	\$ -	\$ -
Total marketable securities	\$ 16,274	\$ 16,274	\$ -	\$ -
Short-term investment	\$ 1	\$ -	\$ -	\$ 1
Notes receivable at fair value, current portion	\$ 6,336	\$ -	\$ -	\$ 6,336
Notes receivable at fair value, non-current portion	\$ 1,372	\$ -	\$ -	\$ 1,372
Fair value measured as of December 31, 2022				
	Total at December 31, 2022	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets				
Marketable securities:				
Equities	\$ 7,130	\$ 7,130	\$ -	\$ -
Total marketable securities	\$ 7,130	\$ 7,130	\$ -	\$ -
Short-term investment	\$ 13	\$ -	\$ -	\$ 13
Notes receivable at fair value, current portion	\$ 7,474	\$ -	\$ -	\$ 7,474
Notes receivable at fair value, non-current portion	\$ 1,100	\$ -	\$ -	\$ 1,100

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Level 3 Measurement

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial assets that are measured at fair value on a recurring basis (\$ in thousands):

Short-term investment at December 31, 2022	\$ 13
Change in fair value of investment	(12)
Short-term investment at September 30, 2023	\$ 1
Notes receivable at fair value, current portion at December 31, 2022	\$ 7,474
Collection of principal outstanding	(750)
Note receivable, Convergent Therapeutics, non-current portion	(250)
Unrealized loss on note receivable	(212)

Accrued interest receivable	74
Notes receivable at fair value, current portion at September 30, 2023	\$ 6,336
Notes receivable at fair value, non-current portion at December 31, 2022	\$ 1,100
Note receivable, Convergent Therapeutics, non-current portion	250
Accrued interest receivable	22
Notes receivable at fair value, non-current portion at September 30, 2023	\$ 1,372

Note Receivable at fair value

As of September 30, 2023, the fair value of the notes receivable was measured taking into consideration cost of the investment, market participant inputs, market conditions, liquidity, operating results and other qualitative and quantitative factors. No material change was noted in the fair value of the notes receivable during the three months ended September 30, 2023.

Note 10. Leases

On December 1, 2021, the Company entered into a Lease Agreement (the "Company's Lease") with Trump Tower Commercial LLC, a New York limited liability company. Under the Company's Lease, the Company rents a portion of the twenty-second floor at 725 Fifth Avenue, New York, New York (the "22nd Floor Premises"). The Company currently uses the 22nd Floor Premises to run its day-to-day operations. The initial term of the Company's Lease is seven (7) years commencing on July 11, 2022 ("Commencement Date"). Under the Company's Lease, the Company is required to pay monthly rent, commencing on January 11, 2023, equal to \$12,874. Effective for the sixth and seventh years of the Company's Lease, the rent shall increase to \$13,502. The Company took possession of the 22nd Floor Premises on the Commencement Date.

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On September 23, 2022, Dominari Financial entered into a Lease Agreement ("Dominari Financial's Lease") with Trump Tower Commercial LLC, a New York limited liability company. Under Dominari Financial's Lease, Dominari Financial rents a portion of a floor at 725 Fifth Avenue, New York, New York (the "Premises"). Dominari Financial currently uses the Premises to run its day-to-day operations. The initial term of Dominari Financial's Lease is seven (7) years commencing on the date that possession of the Premises is delivered to Dominari Financial. Under Dominari Financial's Lease, Dominari Financial is required to pay monthly rent equal to \$49,368. Effective for the sixth and seventh years of Dominari Financial's Lease, the rent shall increase to \$51,868 per month. The Company took possession of the Premises in February 2023.

The tables below represent the Company's lease assets and liabilities as of September 30, 2023:

	September 30, 2023
Assets:	
Operating lease right-of-use-assets	\$ 3,426
Liabilities:	
Current	
Operating	411
Long-term	
Operating	3,137
	<u>\$ 3,548</u>

The following tables summarize quantitative information about the Company's operating leases, under the adoption of ASC 842:

	September 30, 2023
Weighted-average remaining lease term – operating leases (in years)	6.7
Weighted-average discount rate – operating leases	10.0%

During the nine months ended September 30, 2023, the Company recorded approximately \$ 0.6 million of lease expense to current period operations.

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Operating leases		
Operating lease cost	\$ 179	\$ 490
Operating lease expense	179	490
Short-term lease rent expense	33	96
Net rent expense	<u>\$ 212</u>	<u>\$ 586</u>

Supplemental cash flow information related to leases were as follows:

	Nine Months Ended September 30, 2023
Operating cash flows - operating leases	\$ 209
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 2,780

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As of September 30, 2023, future minimum payments during the next five years and thereafter are as follows:

	Operating Leases
Remaining Period Ended December 31, 2023	\$ 188
Year Ended December 31, 2024	747
Year Ended December 31, 2025	685
Year Ended December 31, 2026	685
Year Ended December 31, 2027	685
Year Ended December 31, 2028	766
Thereafter	1,160
Total	4,916
Less present value discount	(1,368)
Operating lease liabilities	\$ 3,548

Note 11. Net Loss per Share

Basic loss per share of common stock is computed by dividing the net loss allocable to common stockholders by the weighted-average number of shares of common stock or common stock equivalents outstanding. Diluted loss per common share is computed similar to basic loss per share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share for the nine months ended September 30, 2023, and 2022 are as follows:

	As of September 30,	
	2023	2022
Convertible preferred stock	34	34
Warrants to purchase common stock	444,796	444,796
Restricted stock awards	96,309	-
Options to purchase common stock	134,454	198,574
Total	675,593	643,404

Note 12. Stockholders' Equity and Convertible Preferred Stock

Common Stock

On March 6, 2023, the Company cancelled 644,499 shares of common stock as a result of retirement of 644,499 shares of treasury stock.

On March 20, 2023, the Company cancelled 25,000 shares of common stock owned by an executive.

June 27, 2023, pursuant to Soo Yu's employment agreement and the Company's 2022 Equity Incentive Plan, the Company executed a Grant Agreement, through which Soo Yu was granted 1,033,591 shares of the Company's common stock. Upon issuance, the shares were fully vested and nonforfeitable with a total fair value of approximately \$2.7 million. Pursuant to the Grant Agreement, the Company withheld 503,876 of the shares granted to satisfy Soo Yu's tax obligation of approximately \$1.3 million and recorded as income taxes withheld within the unaudited condensed consolidated balance sheet. See Restricted Stock roll-forward below.

Treasury Stock

On January 21, 2022, the Company's board of directors authorized a share buyback program (the "Share Buyback Program"), pursuant to which the Company authorized the Share Buyback Program in an amount of up to three million dollars. During the nine months ended September 30, 2023, the Company repurchased 236,630 shares at a cost of approximately \$ 0.9 million or \$3.97 per share through marketable securities account under the Share Buyback Program. The Company records treasury stock using the cost method.

On March 6, 2023, the Company retired 644,499 shares of treasury stock with original cost of approximately \$ 3.8 million.

Warrants

A summary of warrant activity for the nine months ended September 30, 2023, is presented below:

	Warrants	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2022	444,796	\$ 29.25	-	3.20
Outstanding as of September 30, 2023	444,796	\$ 29.25	-	2.45

Restricted Stock Awards

A summary of restricted stock awards activity for the nine months ended September 30, 2023, is presented below:

	Number of Restricted Stock Awards	Weighted Average Grant Day Fair Value
Nonvested at December 31, 2022	8,068	\$ 5.90
Granted	626,024	\$ 2.67
Vested	(537,783)	2.63

Nonvested at September 30, 2023

96,309	\$ 3.18
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Stock-based compensation associated with the amortization of restricted stock awards expense was approximately \$ 93,000 and \$1.4 million for the nine months ended September 30, 2023, and 2022, respectively. All stock compensation was recorded as a component of general and administrative expenses.

As of September 30, 2023, there is approximately \$ 0.2 million unrecognized stock-based compensation expense related to restricted stock awards.

Stock Options

A summary of option activity under the Company's stock option plan for the nine months ended September 30, 2023, is presented below:

	Number of Shares	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding as of December 31, 2022	31,193	\$ 302.97	\$ -	7.9
Employee options granted	110,000	3.21	-	9.9
Employee options forfeited	(5,882)	5.95	-	-
Employee options expired	(857)	\$ 9,719.07	-	-
Outstanding as of September 30, 2023	134,454	\$ 10.70	\$ -	9.4
Options vested and exercisable	24,454	\$ 44.43	\$ -	7.1

Stock-based compensation associated with the amortization of stock option expense was approximately \$ 26,000 and \$40,000 for the nine months ended September 30, 2023, and 2022, respectively. All stock compensation was recorded as a component of general and administrative expenses.

Estimated future stock-based compensation expense relating to unvested stock options is approximately \$ 0.7 million.

Note 13. Revenue

The following table presents our total revenues disaggregated by revenue type for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Underwriting	\$ 318	\$ -	\$ 361	\$ -
Commissions	525	-	539	-
Advisory fees	72	-	72	-
Other	48	-	62	-
Total	\$ 963	\$ -	\$ 1,034	\$ -

Note 14. Commitments and Contingencies

Legal Proceedings

In the past, in the ordinary course of business, the Company actively pursued legal remedies to enforce its intellectual property rights and to stop unauthorized use of the Company's technology. Other than ordinary routine litigation incidental to the business, the Company is not aware of any material, active or pending legal proceedings brought against it.

Note 15. Regulatory

Dominari Securities, the Company's broker-dealer subsidiary, is registered with the SEC as an introducing broker-dealer and is a member of FINRA. The Company's broker-dealer subsidiary is subject to SEC Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As such, the subsidiary is subject to the minimum net capital requirements promulgated by the SEC and has elected to calculate minimum capital requirements using the basic method permitted by Rule 15c3-1. As of September 30, 2023, Dominari Securities had net capital of approximately \$6.2 million, which was approximately \$6.1 million in excess of required minimum net capital of \$0.1 million.

Note 16. Related Party Transaction

In 2021, the Company engaged the services of Revere Securities, LLC ("Revere") to strategically manage and build the Company's investment processes. Kyle Wool, Board Member, was previously a member of the board of directors of Revere. The Company incurred fees of approximately \$75,000 and \$0.8 million during the nine months ending September 30, 2023, and 2022, respectively. These fees were included in general and administrative expenses in the unaudited condensed consolidated statements of operations.

Note 17. Segment Reporting

The Company operates in two reportable business segments: (1) Dominari Financial and (2) Legacy Alkido. The Dominari Financial reportable business segment represents the Company's broker-dealer business, which is composed of mostly underwriting and transactional service activities. The Legacy Alkido reportable business segment includes Alkido Labs, which manages the investments holdings of the legacy entity. Prior to the FPS Acquisition, the Company operated as a single operating segment comprised of Legacy Alkido.

The chief operating decision-maker ("CODM") has access to and regularly reviews internal financial reporting for each business and uses that information to make operational decisions and allocate resources. Accounting policies applied by the reportable segments are the same as those used by the Company and described in the "Summary of Significant Accounting Policies." While assets are primarily held within the Legacy Alkido reportable business segment, total assets by segment is not disclosed as the CODM does not assess performance, make strategic decisions, or allocate resources based on assets.

The measures of segment profitability that are most relied upon by the CODM are gross revenues and net loss, as presented within the table below and reconciled to the statement of operations.

Three Months Ended September 30, 2023			
	Dominari Financial	Legacy Alkido	Consolidated
Revenue	\$ 963	\$ -	\$ 963
Operating Costs			
General and administrative	2,324	1,743	4,067
Research and development	-	-	-
Loss from operations	\$ (1,361)	\$ (1,743)	\$ (3,104)
Other (expenses) income			
Other income	-	-	-
Interest income	91	117	208
Loss on marketable securities	-	(150)	(150)
Unrealized loss on note receivable	-	-	-
Change in fair value of investments	-	(495)	(495)
Total other (expenses) income	\$ 91	\$ (528)	\$ (437)
Net loss	\$ (1,270)	\$ (2,271)	\$ (3,541)

Nine Months Ended September 30, 2023			
	Dominari Financial	Legacy Alkido	Consolidated
Revenue	\$ 1,034	\$ -	\$ 1,034
Operating Costs			
General and administrative	10,380	6,600	16,980
Research and development	-	3	3
Loss from operations	\$ (9,346)	\$ (6,603)	\$ (15,949)
Other (expenses) income			
Other income	-	-	-
Interest income	135	370	505
Gain on marketable securities	-	185	185
Unrealized loss on note receivable	-	(212)	(212)
Change in fair value of investments	-	(495)	(495)
Total other (expenses) income	\$ 135	\$ (152)	\$ (17)
Net loss	\$ (9,211)	\$ (6,755)	\$ (15,966)

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

Forward-Looking Statements

You should read this discussion together with the Financial Statements, related Notes and other financial information included elsewhere in this Form 10-Q. All references to "we," "us," "our" and the "Company" refer to Dominari Holdings Inc., a Delaware corporation and its consolidated subsidiaries unless the context requires otherwise.

Cautionary Note Regarding Forward-Looking Statements

All statements other than statements of historical fact included in this Report including, without limitation, statements under this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. When used in this Report, terminology such as "may," "should," "expect," "intend," "will," "estimate," "anticipate," "believe," "predict," "project," "target," "budget," "forecast," "could," "continue," "plan," or "potentially" or the negatives of these terms or variations of them or similar terminology, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors detailed in our filings with the SEC. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

Overview

Dominari Holdings Inc. (the "Company"), formerly Alkido Pharma, Inc., was founded in 1967 as Spherix Incorporated. Since 2017, the Company has operated as a biotechnology company with a diverse portfolio of small-molecule anticancer and antiviral therapeutics and their related patent technology. In an effort to enhance shareholder value, in June of 2022, the Company formed a wholly owned financial services subsidiary, Dominari Financial Inc. ("Dominari Financial"), with the intent of shifting the Company's primary operating focus away from biotechnology to the fintech and financial services industries. Through Dominari Financial, the Company acquired Dominari Securities LLC (Dominari Securities), an introducing broker-dealer, registered with the Financial Industry Regulatory Authority ("FINRA") and an investment adviser registered with the Securities and Exchange Commission ("SEC"). Dominari Securities provides investment advisory services and annuity and insurance products of certain insurance carriers as an insurance agency

through independent and affiliated brokers.

Related to the shift described above, Aikido Labs, LLC ("Aikido Labs"), another wholly owned subsidiary of the Company, is in the process of winding down its historical pipeline of biotechnology assets. Aikido Labs has historically explored opportunities in high growth industries and has equity holdings including Anduril Industries, Inc, Databricks, Inc., Discord, Inc., Epic Games, Inc., Payward, Inc. dba Kraken, Space Exploration Technologies Corp. dba SpaceX, Tevva Motors Ltd., Thrasio, LLC, and Yanka Industries, Inc. dba Masterclass.

Reverse Stock Split

On June 7, 2022, the Company effected a seventeen-for-one (17-for-1) reverse stock split of its class of common stock (the "Reverse Stock Split"). The Reverse Stock Split, which was approved by stockholders at an annual stockholder meeting on May 20, 2022, was consummated pursuant to a Certificate of Amendment filed with the Secretary of State of Delaware on June 2, 2022. The Reverse Stock Split was effective on June 7, 2022. All references to common stock, convertible preferred stock, warrants to purchase common stock, options to purchase common stock, restricted stock units, restricted stock awards, share data, per share data and related information contained in the unaudited condensed consolidated financial statements have been retrospectively adjusted to reflect the effect of the Reverse Stock Split for all periods presented. Payment for fractional shares resulting from the reverse stock split amounted to \$26,000.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our unaudited condensed consolidated financial statements. We have identified the accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results may differ substantially from these estimates under different assumptions or conditions. The following represent those critical accounting policies that we believe most significantly impact the judgments and estimates used in the preparation of our unaudited condensed consolidated financial statements.

Long-term investments

Effective January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2016-01 and related ASU 2018-03 and ASU 2019-04 concerning recognition and measurement of financial assets and financial liabilities. In adopting this guidance, the Company has made an accounting policy election to adopt an adjusted cost method measurement alternative for investments in equity securities without readily determinable fair values.

For equity investments that are accounted for using the measurement alternative, the Company initially records equity investments at cost but is required to adjust the carrying value of such equity investments through earnings when there is an observable transaction involving the same or a similar investment with the same issuer or upon an impairment.

Refer to Note 3 of the Annual Report for a discussion of our significant accounting policies.

Recently Issued Accounting Pronouncements

See Note 3 to the unaudited condensed consolidated financial statements for a discussion of recent accounting standards.

Results of Operations

Three Months Ended September 30, 2023, compared to the Three Months Ended September 30, 2022

During the three months ended September 30, 2023, we recognized approximately \$1.0 million in revenue from operations, primarily driven by the commissions and underwriting revenue earned by Dominari Securities. During the three months ended September 30, 2023, and 2022, we incurred a loss from operations of approximately \$3.1 million and \$5.1 million, respectively. The decrease in loss from operations was primarily attributable to the following:

- i. An approximate \$0.4 million decrease in general and administrative expenses. The Company incurred decreased compensation expenses of approximately \$0.2 million due to decreased stock-based compensation expenses.
- ii. An approximate \$0.6 million decrease in research and development expenses – attributable to the Company's strategic business decision to transition away from the biotechnology industry and into financial services. The result is a decrease in research and development related expenses by almost 100%.

During the three months ended September 30, 2023 and 2022, other expenses was approximately \$0.4 million and \$1.1 million, respectively. The activity for the three months ended September 30, 2023 and 2022, is primarily a result of overall volatility in investment valuations due to macroeconomic uncertainty (i.e. inflation, global tensions in the Ukraine, etc.) impacting marketable securities and the change in fair value of short and long-term investments. Specifically:

- i. Marketable securities – we recognized a loss of approximately \$0.2 million for the three months ended September 30, 2023. The decrease of approximately \$1.5 million in losses over the prior period is a direct result of a decrease in unrealized losses of approximately \$2.0 million and an increase in dividend income of approximately \$0.2 million, offset by an increase in realized loss of approximately \$0.6 million. The decreases were driven by both market improvement and decrease in sale activity resulting in fewer realized losses.
- ii. Short-term and long-term investments –The changes over the three months ended September 30, 2023 and 2022 are a function of observable market transactions which resulted in an increase in unrealized loss of approximately \$0.8 million on the adjusted fair value of the investments during the three months ended September 30, 2023.

Nine Months Ended September 30, 2023, compared to the Nine months ended September 30, 2022

During the nine months ended September 30, 2023, we recognized approximately \$1.0 million in revenue from operations, primarily driven by the underwriting revenue earned by Dominari Securities. During the nine months ended September 30, 2023, and 2022, we incurred a loss from operations

of approximately \$16.0 million and \$11.2 million, respectively. The increase in loss in operations was primarily attributable to the following:

- i. An approximate \$8.4 million increase in general and administrative expenses – driven by approximately \$0.1 million and \$1.2 million of professional fees (legal, consulting, accounting, etc.) incurred to establish and operate Dominari Financial and Dominari Securities, respectively. In addition, the Company also incurred increased compensation expenses of approximately \$5.6 million due to growing operations.
- ii. An approximate \$2.6 million decrease in research and development expenses – attributable to the Company's strategic business decision to transition away from the biotechnology industry and into financial services. The result is a decrease in research and development related expenses by almost 100%.

During the nine months ended September 30, 2023 and 2022, other income (expenses) was approximately \$17 thousand and \$(3.6) million, respectively. The activity for the nine months ended September 30, 2023 and 2022, is primarily a result of overall volatility in investment valuations due to macroeconomic uncertainty (i.e. inflation, global tensions in the Ukraine, etc.) impacting marketable securities and the change in fair value of short and long-term investments. Specifically:

- i. Marketable securities – we recognized a gain of approximately \$0.2 million for the nine months ended September 30, 2023. The decrease of approximately \$4.6 million in losses over the prior period is a direct result of a decrease in unrealized losses of approximately \$4.8 million and increase in dividend income of approximately \$0.3 million, offset by an increase in realized loss of approximately \$0.5 million. The decreases were driven by both market improvement and a decrease in sale activity resulting in fewer realized losses.
- ii. Short-term and long-term investments –The changes over the nine months ended September 30, 2023 and 2022 are a function of observable market transactions which resulted in an increase in unrealized loss of approximately \$0.6 million on the adjusted fair value of the investments during the nine months ended September 30, 2023.

Liquidity and Capital Resources

We continue to incur ongoing administrative and other expenses, including public company expenses. While we continue to implement our business strategy, we intend to finance our activities through:

- managing current cash and cash equivalents on hand from our past debt and equity offerings;
- seeking additional funds raised through the sale of additional securities in the future; and
- seeking additional liquidity through credit facilities or other debt arrangements.

Our ultimate success is dependent on our ability to generate sufficient cash flow to meet our obligations on a timely basis. Our business may require significant amounts of capital to sustain operations that we need to execute our longer-term business plan to support our transition into the financial services industry. Our working capital amounted to approximately \$33.2 million as of September 30, 2023. We believe our cash and cash equivalents and marketable securities, together with the anticipated cash flow from operations will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months. In the event that cash flow from operations is not sufficient to fund our operations, as expected, or if our plans or assumptions change, including if inflation begins to have a greater impact on our business or if we decide to move forward with any activities that require more outlays of cash than originally planned, we may need to raise additional capital sooner than expected. We may raise this additional capital by obtaining additional debt or equity financing, especially if we experience downturns in our business that are more severe or longer than anticipated, or if we experience significant increases in expense levels resulting from being a publicly traded company or from continuing operations.

Our ability to obtain capital to implement our growth strategy over the longer term will depend on our future operating performance, financial condition and, more broadly, on the availability of equity and debt financing. Capital availability will be affected by prevailing conditions in our industry, the global economy, the global financial markets, and other factors, many of which are beyond our control. Specifically, as a result of recent volatility and weakness in the public markets, due to, among other factors, uncertainty in the global economy and financial markets, it may be much more difficult to raise additional capital, if and when it is needed, unless the public markets become less volatile and stronger at such time that we seek to raise additional capital. In addition, any additional debt service requirements we take on could be based on higher interest rates and shorter maturities and could impose a significant burden on our results of operations and financial condition, and the issuance of additional equity securities could result in significant dilution to stockholders.

Cash Flows from Operating Activities

For the nine months ended September 30, 2023 and 2022, net cash used in operations was approximately \$17.5 million and \$8.7 million, respectively. The cash used in operating activities for the nine months ended September 30, 2023, is primarily attributable to a net loss of approximately \$16.0 million, approximately \$0.9 million of unrealized gain on marketable securities and changes in operating assets and liabilities of \$4.4 million, partially offset by \$1.5 million stock-based compensation expense and approximately \$1.2 million in realized losses on marketable securities. The cash used in operating activities for the nine months ended September 30, 2022 primarily resulted from a net loss of \$14.9 million and change in fair value of long-term investment of \$1.6 million and is partially offset by change in fair value of short-term investment of \$1.5 million and unrealized loss on marketable securities of \$3.9 million.

Cash Flows from Investing Activities

For the nine months ended September 30, 2023 and 2022, net cash used in investing activities was approximately \$10.4 million and \$16.0 million, respectively. The cash used in investing activities for the nine months ended September 30, 2023, primarily resulted from our purchase of marketable securities of approximately \$34.1 million and the acquisition of FPS for approximately \$1.1 million, partially offset by our sale of marketable securities of approximately \$24.6 million. The Company also collected approximately \$0.5 million in principal related to its short-term notes. The cash used in investing activities for the nine months ended September 30, 2022 primarily resulted from our purchase of marketable securities of \$27.5 million, purchase of promissory notes of \$1.6 million and purchase of investments of \$15.0 million, partially offset by our sale of marketable securities of \$28.5 million since we invest excess cash into marketable securities until additional cash is needed.

Cash Flows from Financing Activities

For the nine months ended September 30, 2023, cash used in financing activities was approximately \$0.9 million, which reflects the cost for the purchase of treasury stock of approximately \$0.9 million. Cash used in financing activities for the nine months ended September 30, 2022 was \$6.4 million, which reflects the cost for the redemption of Series O and Series P Redeemable Convertible Preferred Stock of \$22.0 million and the cost for purchase of treasury stock of \$2.2 million, partially offset by net proceeds of \$17.9 million from investors in exchange of issuance of Series O and Series P Redeemable Convertible Preferred Stock.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the quarter ended September 30, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective, as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

We have not made any changes to our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls

Our management does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

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Part II. Other Information

Item 1. Legal Proceedings

In the past, in the ordinary course of business, we actively pursued legal remedies to enforce our intellectual property rights and to stop unauthorized use of our technology. Other than ordinary routine litigation incidental to the business, we know of no material, active or pending legal proceedings against us.

Item 1A. Risk Factors

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, we are not required to provide information required by this Item. Our current risk factors are set forth in our Annual Report on Form 10-K, which was filed with the SEC on March 30, 2023. Any of our previously disclosed risk factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. We may disclose changes to such risk factors or disclose additional risk factors from time to time in our future filings with the SEC.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

31.1*	Certification of Principal Executive Officer of Dominari Holdings Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer of Dominari Holdings Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer of Dominari Holdings Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer of Dominari Holdings Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.

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

* Filed herewith

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Signatures

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

DOMINARI HOLDINGS INC.

Date: November 6, 2023

By: /s/ Anthony Hayes
 Anthony Hayes
 Chief Executive Officer
 (Principal Executive Officer)

Date: November 6, 2023

By: /s/ George Way
 George Way
 Chief Financial Officer
 (Principal Financial and Accounting Officer)

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anthony Hayes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dominari Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer 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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ Anthony Hayes
Anthony Hayes
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER AND PRINCIPAL ACCOUNTING OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, George Way, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dominari Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer 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)) for the registrant 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 my supervision, to ensure that material information relating to the registrant, 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 my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2023

/s/ George Way
George Way
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dominari Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Anthony Haynes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §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, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: November 6, 2023

/s/ Anthony Haynes
Anthony Haynes
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Dominari Holdings Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, George Way, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §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, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: November 6, 2023

/s/ George Way
George Way
Chief Financial Officer
(Principal Financial and Accounting Officer)