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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 **September 28, 2024**

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. **0-19621**

**ALT5 Sigma Corporation**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of  
incorporation or organization)

**41-1454591**

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

**325 E. Warm Springs Road, Suite 102  
Las Vegas, Nevada**

(Address of principal executive offices)

**89119**

(Zip Code)

**702-997-5968**

(Registrant's telephone number, including area code)

**JanOne Inc.**

(Former Name or Former Address, if Changed Since Last Report)

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, \$0.001 par value per share	ALTS	The Nasdaq Stock Market LLC (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. x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes o 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
Emerging growth company	o		

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. o

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

As of November 7, 2024, there were 14,069,469 outstanding shares of the registrant's common stock, with a par value of \$0.001.

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ALT5 SIGMA CORPORATION

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Condensed Consolidated Financial Statements**

**ALT5 SIGMA CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Dollars in thousands, except per-share amounts)**

	September 28, 2024	December 30, 2023
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 8,669	\$ 5
Trade and other receivables, net	903	266
Digital assets receivable	20,888	—
Prepaid expenses and other current assets	1,437	75
Total current assets	31,897	346
Property and equipment, net	1,170	—
Right of use assets	120	—
Marketable securities	—	286
Deposits and other assets	—	9
Intangible assets, net	33,977	17,846
Goodwill	7,724	—
Total assets	\$ 74,888	\$ 18,487
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Accounts payable	\$ 2,879	\$ 2,272
Accrued liabilities	3,801	3,633
Digital assets payable	28,834	—
Due to Soim	2,850	—
Convertible debentures	563	—
Operating lease liabilities	26	—
Notes payable	2,577	—
Related party notes payable and advances	798	—
Total current liabilities	42,328	5,905
Deferred income taxes, net	1,161	639
Related party notes payable	529	707
Notes payable	6,695	—
Operating lease liabilities	94	—
Other noncurrent liabilities	—	34
Total liabilities	50,807	7,285
Commitments and contingencies (Note 16)		
Mezzanine equity		
Convertible preferred stock, series S - par value \$0.001 per share, 200,000 authorized, 100,000 and 100,000 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	3,856	14,510
Stockholders' equity:		
Preferred stock, series A-1 - par value \$0.001 per share, 2,000,000 authorized, 23,480 and 193,730 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	—	—
Preferred stock, series B - par value \$0.001 per share, 34,250 authorized, 34,207 and 0 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	8,552	—
Preferred stock, series M - par value \$0.001 per share, 3,200 authorized, 3,200 and 0 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	—	—
Convertible preferred stock, series S - par value \$0.001 per share, 200,000 authorized, 100,000 and 100,000 shares issued and outstanding at September 28, 2024 and December 30, 2023, respectively	7,993	—
Common stock, par value \$0.001 per share, 200,000,000 shares authorized, 14,019,015 and 4,957,647 shares issued and outstanding at September 28, 2024 and at December 30, 2023, respectively	7	3
Accumulated other comprehensive deficit	(2,995)	—
Additional paid-in capital	59,679	47,323
Accumulated deficit	(53,011)	(50,634)
Total stockholders' equity (deficit)	20,225	(3,308)
Total liabilities and stockholders' equity	\$ 74,888	\$ 18,487

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**ALT5 SIGMA CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
**(Dollars in thousands, except per-share)**

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Revenues	\$ 4,941	\$ —	\$ 7,110	\$ —
Cost of revenues	2,580	—	3,651	—
Gross profit	2,361	—	3,459	—
Operating expenses:				
Selling, general and administrative expenses	3,582	764	9,402	2,923
Operating loss	(1,221)	(764)	(5,943)	(2,923)
Other income (expense):				
Interest income, net	253	758	5	1,598
Unrealized loss on marketable securities	(688)	(267)	(1,058)	(514)
Unrealized (loss) gain on exchange transactions	(30)	—	431	—
Realized gain on exchange transactions	391	—	631	—
Other (loss) income, net	(44)	6	114	745
Total other (loss) income, net	(118)	497	123	1,829
Loss from continuing operations before provision for income taxes	(1,339)	(267)	(5,820)	(1,094)
Income tax benefit	(517)	(25)	(3,443)	(269)
Net loss from continuing operations	(822)	(242)	(2,377)	(825)
Gain from discontinued operations	—	—	—	13,976
Income tax provision (benefit) for discontinued operations	—	(28)	—	3,158
Net income from discontinued operations	—	28	—	10,818
Net (loss) income	\$ (822)	\$ (214)	\$ (2,377)	\$ 9,993
Net income (loss) per share:				
Net income (loss) per share from continuing operations, basic	\$ (0.06)	\$ (0.06)	\$ (0.24)	\$ (0.22)
Net income (loss) per share from continuing operations, diluted	\$ (0.06)	\$ (0.06)	\$ (0.24)	\$ (0.22)
Net income per share from discontinued operations, basic	\$ —	\$ 0.01	\$ —	\$ 2.93
Net income per share from discontinued operations, diluted	\$ —	\$ 0.01	\$ —	\$ 2.93
Net income per share, basic	\$ (0.06)	\$ (0.05)	\$ (0.24)	\$ 2.71
Net income per share, diluted	\$ (0.06)	\$ (0.05)	\$ (0.24)	\$ 2.71
Weighted average common shares outstanding:				
Basic	12,805,718	4,198,940	10,030,608	3,687,986
Diluted	12,805,718	4,198,940	10,030,608	3,687,986

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**ALT5 SIGMA CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(In thousands)**

	For the Thirty-Nine Weeks Ended	
	September 28, 2024	September 30, 2023
<b>OPERATING ACTIVITIES:</b>		
Net loss from continuing operations	\$ (2,377)	\$ (825)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,319	1,090
Charge in reserve for uncollectible accounts	254	—
Stock based compensation expense	1,507	14
Related party notes issued for shared services	600	—
Accretion of note receivable discount	—	(1,021)
Amortization of ROU asset	14	—
Unrealized gain on marketable securities	1,058	514
Unrealized loss on digital assets	(431)	—
Change in deferred tax liability	(3,353)	—
Changes in assets and liabilities:		
Accounts receivable, net of acquisitions and dispositions	1,303	506
Digital assets receivable	(11,060)	—
Prepaid expenses and other current assets, net of dispositions	483	309
Digital assets payable	12,071	—
Accounts payable and accrued expenses, net of dispositions	1,331	(689)
Other Assets	10	(346)
Operating cash flows provided by discontinued operations	—	2,320
Net cash provided by operating activities	<u>3,729</u>	<u>1,872</u>
<b>INVESTING ACTIVITIES:</b>		
Cash acquired in Alt5 Subsidiary acquisition	5,853	—
Investing cash flows used in discontinued operations	—	(156)
Net cash provided by (used in) investing activities	<u>5,853</u>	<u>(156)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from equity financing, net	851	792
Proceeds from the issuance of notes payable	3,100	—
Proceeds from related parties	603	—
Warrants exercised	—	259
Payments on notes payable	(2,229)	(274)
Payments on related party notes payable	(248)	—
Financing cash flows from discontinued operations	—	(2,212)
Net cash provided by (used in) financing activities	<u>2,077</u>	<u>(1,435)</u>
Effect of changes in exchange rate on cash and cash equivalents	(2,995)	17
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,664</b>	<b>298</b>
CASH AND CASH EQUIVALENTS, beginning of period	5	115
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 8,669</u>	<u>\$ 413</u>
<b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ —	\$ 118
Income taxes paid	—	—
Noncash recognition of new leases	134	—
<b>Noncash financing and investing activities:</b>		
Stock issued for the acquisition of Alt5 Subsidiary	\$ 16,000	\$ —
Common stock issued for consulting services	853	—
Common stock issued for liability obligations	367	—
Notes payable converted to common stock	467	—
Common stock issued for property and equipment	1,170	—

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.



adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	(807)	(807)				
Net income	—	—	—	—	—	—	—	—	—	—	—	—	589	—	589				
Balance, June 29, 2024	69,980	—	100,000	—	34,207	8,552	3,200	—	12,589,015	7	59,374	(52,189)	(807)	22,930					
Conversion of notes payable to common stock	—	—	—	—	—	—	—	—	500,000	—	\$ 305	—	—	—	305				
Conversion of Series A-1 to common stock	(46,500)	—	—	—	—	—	—	—	930,000	—	—	—	—	—	—				
Foreign currency adjustment	—	—	—	—	—	—	—	—	—	—	—	—	—	(2,188)	(2,188)				
Net income	—	—	—	—	—	—	—	—	—	—	—	—	\$ (822)	—	(822)				
Balance, September 28, 2024	<u>23,480</u>	<u>23480</u>	<u>\$ —</u>	<u>0</u>	<u>100,000</u>	<u>100000</u>	<u>\$ —</u>	<u>34,207</u>	<u>34207</u>	<u>\$ 8,552</u>	<u>3,200</u>	<u>3200</u>	<u>\$ —</u>	<u>14,019,015</u>	<u>\$ 7</u>	<u>\$ 59,679</u>	<u>\$ (53,011)</u>	<u>\$ (2,995)</u>	<u>\$ 20,225</u>

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	Series A-1 Preferred		Series S-1 Preferred		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 31, 2022	222,588	\$ —	100,000	\$ —	3,150,230	\$ 2	\$ 45,748	\$ (42,822)	\$ (621)	\$ 2,307
Share based compensation	—	—	—	—	—	—	8	—	—	8
Common stock issued for equity financing	—	—	—	—	361,000	1	368	—	—	369
Series A-1 Preferred converted for legal settlement	(5,185)	—	—	—	103,707	—	170	—	—	170
Other comprehensive income	—	—	—	—	—	—	—	—	621	621
Net Income	—	—	—	—	—	—	—	10,085	—	10,085
Balance, April 1, 2023	217,403	—	100,000	—	3,614,937	3	46,294	(32,737)	—	13,560
Share based compensation	—	\$ —	—	\$ —	—	\$ —	\$ 5	\$ —	\$ —	5
Net Income	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ 123	\$ —	123
Balance, July 1, 2023	217,403	—	100,000	—	3,614,937	3	46,299	(32,614)	—	13,688
Share based compensation	—	—	—	—	—	—	1	—	—	1
Series A-1 Preferred Stock converted for legal settlement	(22,168)	—	—	—	443,362	—	340	—	—	340
Series A-1 Preferred Stock forfeited	(1,505)	—	—	—	—	—	—	—	—	—
Warrants exercised	—	—	—	—	481,348	—	259	—	—	259
Common stock issued for equity financing	—	—	—	—	418,000	—	424	—	—	424
Net Income	—	—	—	—	—	—	—	(214)	—	(214)
Balance, September 30, 2023	193,730	\$ —	100,000	\$ —	4,957,647	\$ 3	\$ 47,323	\$ (32,828)	\$ —	\$ 14,498

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

#### **Note 1: Background**

The accompanying consolidated financial statements include the accounts of ALT5 Sigma Corporation, a Nevada corporation, and its subsidiaries (collectively, the “Company” or “ALT5”). Effective July 15, 2024, the Company changed its corporate name from “JanOne Inc.” to “ALT5 Sigma Corporation,” and also changed its Nasdaq common stock ticker symbol from “JAN” to “ALTS”. The corporate name change was effected through a parent/subsidiary short-form merger of ALT5 Sigma Corporation, the Company’s wholly-owned Nevada subsidiary formed solely for the purpose of effectuating the name change), whereby it merged with and into the Company, with the Company being the surviving entity, albeit with its new name.

The Company had three operating segments – Biotechnology, Fintech, and Recycling. In connection with the sale of ARCA Recycling, Inc. (“ARCA Recycling”), the accounts for the Recycling segment have been presented as discontinued operations in the accompanying consolidated financial statements.

#### **Biotechnology**

During September 2019, ALT5 Sigma Corporation, through its biotechnology segment, broadened its business perspectives to become a pharmaceutical company focused on finding treatments for conditions that cause severe pain and bringing to market drugs with non-addictive pain-relieving properties. Effective December 28, 2022, the Company acquired Soin Therapeutics LLC, a Delaware limited liability company (“STLLC”), and its patented product, a novel formulation of low-dose naltrexone, (“JAN123”). The product is being initially developed for the treatment of Complex Regional Pain Syndrome (CRPS), an indication that causes severe, chronic pain generally affecting the arms or legs. At present, there are no truly effective treatments for CRPS. The FDA has granted JAN123 Orphan Drug Designation for treatment of CRPS. This designation will provide the Company with tax credits for its clinical trials, exemption of user fees, and the potential of seven years of market exclusivity following approval. In addition, development of orphan drugs currently also involves smaller trials and quicker times to approval. However, there can be no assurance that the product will receive FDA approval or that it will result in material sales.

#### **Fintech**

On May 15, 2024, the Company acquired ALT5 Sigma, Inc. (“ALT5 Subsidiary”). ALT5 Subsidiary is a fintech company that provides next generation blockchain-powered technologies to enable a migration to a new global financial paradigm. ALT5 Subsidiary, through its respective subsidiaries, offers two main platforms to its customers: “ALT5 Pay” and “ALT5 Prime.” ALT5 Pay is a crypto-currency payment gateway that enables registered and approved global merchants to accept and make crypto-currency payments or to integrate the ALT5 Pay payment platform into their application or operations using the plugin with WooCommerce and or ALT5 Pay’s checkout widgets and APIs. Merchants have the option to convert to fiat currency (US Dollars, Canadian Dollars, Euros, and British Pounds Sterling) automatically or to receive their payment in digital assets (see Note 3).

#### **Recycling**

ARCA Recycling was the Company’s Recycling segment and provides turnkey recycling services for electric utility energy efficiency programs in the United States. ARCA Canada Inc. (“ARCA Canada”) provides turnkey recycling services for electric utility energy efficiency programs in Canada. Customer Connexx, LLC (“Connexx”) provides call center services for ARCA Recycling and ARCA Canada. On March 9, 2023, retroactive to March 1, 2023, the Company entered into a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation, under which the Buyer agreed to acquire all of the outstanding equity interests of (a) ARCA Recycling, Inc., a California corporation, (b) Customer Connexx LLC, a Nevada limited liability company, and (c) ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada (“ARCA Canada”; and, together with ARCA and Connexx, the “Subsidiaries”). The principal of the Buyer is Virland A. Johnson, our Chief Financial Officer. The sale of all of the outstanding equity interests of the Subsidiaries to the Buyer under the Purchase Agreement was consummated simultaneously with the execution of the Purchase Agreement. The Company’s Board of Directors unanimously approved the Purchase Agreement and the Disposition Transaction. In connection with the disposition of ARCA Recycling, accounts for the Recycling segment have been presented as discontinued operations in the accompanying consolidated financial statements (see Note 4).

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The Company reports on a 52- or 53-week fiscal year. The Company's 2023 fiscal year ("2023") ended on December 30, 2023, and the current fiscal year ("2024") will end on December 28, 2024.

### Going concern

The accompanying financial statements have been prepared under the assumption that the Company will continue as a going concern. Such assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business, however, the issues described below raise substantial doubt about the Company's ability to do so.

The Company currently faces a challenging competitive environment and is focused on improving its overall profitability, which includes managing expenses. The Company reported a net loss from continuing operations of approximately \$2.4 million for the 39 weeks ended September 28, 2024. Additionally, as of September 28, 2024, the Company has total current assets of approximately \$31.9 million and total current liabilities of approximately \$42.3 million resulting in a net negative working capital of approximately \$10.4 million. Cash provided by operations from continuing operations was approximately \$3.7 million. Additionally, stockholders' equity, as of September 28, 2024, is approximately \$20.2 million.

The Company intends to raise funds to support future development of JAN 123 and JAN 101 and through a combination of cash flows derived from its acquisition of ALT5 (see Note 3), capital raises, and/or structured arrangements. However, the success of such funding cannot be assured.

## **Note 2: Summary of Significant Accounting Policies**

### **Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. ("U.S. GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information and notes required for complete financial statements prepared in conformity with U.S. GAAP. In our opinion, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. However, the Company's results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended December 30, 2023.

### **Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

### **Reclassifications**

Certain amounts in the prior period have been reclassified to conform to the current period presentation. These reclassifications have no material effect on the reported financial results.

### **Use of Estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in connection with the accompanying consolidated financial statements include the fair value in connection with the Series S convertible preferred stock issued in the Soin merger, the Series B Preferred Stock and Series M Preferred Stock issued in the transaction, pursuant to which the Company acquired the ALT5 Subsidiary, valuation allowance against deferred tax assets, and estimated useful lives for intangible assets.

### **Financial Instruments**

Financial instruments consist primarily of cash equivalents, trade and other receivables, and obligations under accounts payable, accrued expenses and notes payable. The carrying amounts of cash equivalents, trade receivables and other receivables, accounts payable, accrued expenses and short-term notes payable approximate fair value because of the short maturity of these instruments.

### **Digital Assets and other Receivables**

Digital assets and other receivables are the Company's digital assets and its customer prepayments in the form of digital assets. The Company holds all digital assets in secure non-custodial wallets through the wallet services from Fireblocks. As of September 28, 2024, the outstanding balance of digital assets and other receivables was approximately \$20.9 million.

### **Digital Assets and other Payables**

Digital assets and other payables are liabilities that represent the Company's obligation to deliver the settlement of transactions in the form of digital assets and or cash. The Company safeguards these digital assets and cash for customers and is obligated to safeguard them from loss, theft, or other misuse. The Company recognizes digital assets and other payables, on initial recognition and at each reporting date, at fair value of the digital assets. Any loss, theft, or other misuse would impact the measurement of digital assets and other payables. As of September 28, 2024, the outstanding balance of digital assets and other payables was approximately \$28.8 million.

### **Revenue Recognition**

Revenue recognition applies to the Company's Fintech segment only, as the Company's Biotech segment has not recognized revenue to date. Revenue is recognized under Topic 606 in a manner that reasonably reflects the delivery of its services and products to customers in return for expected consideration and includes the following elements:

1. Executed contracts with the Company's customers that it believes are legally enforceable;
2. Identification of performance obligations in the respective contract;
3. Determination of the transaction price for each performance obligation in the respective contract;
4. Allocation of the transaction price to each performance obligation; and
5. Recognition of revenue only when the Company satisfies each performance obligation.

These five elements, as applied to each of the Company's revenue category, is summarized below:

1. Product sales – revenue is recognized at the time of sale of equipment to the customer.
2. Service sales – revenue is recognized based on when the service has been provided to the customer.

The Company's service is comprised of a single performance obligation to buy and sell or convert digital assets to currencies. That is, the Company is the counter party to all transactions between customers and liquidity providers and presents revenue for the fees earned on a net basis.

The Company is acting as principal in all transactions, and control the digital assets being provided before it is transferred to the buyer, and has risk related to the digital assets, and is responsible for the fulfillment of the digital asset transactions. The Company sets the price for the digital assets by aggregating prices from several liquidity providers and displays them on the Company's platform. As a result, the Company acts as a price discovery service and acts as a principal facilitating the ability for a customer to purchase or sell digital assets.

The Company considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Contracts with customers are usually open-ended and can be terminated by either party without a termination penalty. Therefore, contracts are defined at the transaction level and do not extend beyond the service already provided.

The Company charges a fee at the transaction level. The transaction price, represented by the trading fee, is calculated based on volume and varies depending on payment type and the value of the transaction. Digital asset purchases or sale transactions executed by a customer on the Company's platform is based on tiered pricing that is driven primarily by transaction volume processed for a specific historical period. The Company has concluded that this volume-based pricing approach does not constitute a future material right since the discount is within a range typically offered to a class of customers with similar volume. The transaction fee is collected from the customer at the time the transaction is executed. In certain instances, the transaction fee can be collected in digital assets, with revenue measured based on the amount of digital assets received and the fair value of the digital assets at the time of the transaction. The Company also marks up or down the digital asset prices and earns revenue from the spread between the buying and selling price. The Company also earns a fee from transfers of currencies and or digital assets. The transfer fees are nominal and are set to offset the fees associated with banking and or blockchain mining fees.

### **Stock-Based Compensation**

The Company from time to time grants stock options to employees, non-employees and Company executives and directors. Such awards are valued based on the grant date fair-value of the instruments. The value of each award is amortized on a straight-line basis over the vesting period.

### **Recently Issued Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). ASU 2023-07 requires, among other updates, enhanced disclosures about significant segment expenses that are regularly provided to the CODM, as well as the aggregate amount of other segment items included in the reported measure of segment profit or loss. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective adoption. Early adoption is permitted. The Company is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets. The amendments in ASU No. 2023-08 are intended to improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income. The amendments also improve the information provided to investors about an entity’s crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period. The amendments are effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. The Company is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 requires enhanced annual disclosures regarding the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, and may be adopted on a prospective or retrospective basis. Early adoption is permitted. The Company is evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

### **Note 3: Mergers and Acquisitions**

#### ALT5

On May 15, 2024, the Company acquired its ALT5 Subsidiary, which is a fintech company that provides next generation blockchain-powered technologies to enable a migration to a new global financial paradigm. ALT5 Subsidiary, through its respective subsidiaries, offers two main platforms to its customers: “ALT5 Pay” and “ALT5 Prime.” ALT5 Pay is a crypto-currency payment gateway that enables registered and approved global merchants to accept and make crypto-currency payments or to integrate the ALT5 Pay payment platform into their application or operations using the plugin with WooCommerce and or ALT5 Pay’s checkout widgets and APIs. Merchants have the option to convert to fiat currency (US Dollars, Canadian Dollars, Euros, and British Pounds Sterling) automatically or to receive their payment in digital assets.

As consideration under the acquisition, the Company issued 1,799,100 shares of its common stock to the legacy equity holders of the capital stock of ALT5 Subsidiary. Those shares represented approximately 19.9% of the Company’s then-issued and outstanding shares of common stock. Each of the shares of the Company’s newly-issued common stock was valued at \$4.14, which was the Nasdaq Historical NOCP on Thursday, May 9, 2024, the day immediately prior to the date on which the agreement was executed. The Company also issued 34,207 shares of its newly-designated Series B Preferred Stock (the “Series B Stock”) to the legacy equity holders of the capital stock of ALT5. In connection with the closing of the

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acquisition of ALT5 Subsidiary, the Company also issued 3,200 shares of its newly-designated Series M Preferred Stock (the "Series M Stock") to two entities that acted as finders for the transaction.

The fair value of the purchase price components outlined above was \$ 16.0 million due to fair value adjustments for the shares of Series B Stock and Series M Stock, as detailed below (in \$000's):

Common stock	\$	7,448
Series B preferred stock		8,552
Total purchase price	\$	<u>16,000</u>

Under the preliminary purchase price allocation, the Company recognized goodwill of approximately \$ 3.8 million, which is calculated as the excess of both the consideration exchanged and liabilities assumed as compared to the fair value of the identifiable assets acquired. The values assigned to the assets acquired and liabilities assumed are based on their estimates of fair value available as of May 10, 2024, as calculated by an independent third-party firm. Because the transaction was considered a stock purchase for tax purposes, none of the goodwill arising from the acquisition will be deductible for tax purposes. During the thirteen weeks ended September 28, 2024, the Company recorded a noncash fair value adjustment related to deferred tax liabilities in the aggregate amount of approximately \$3.9 million, which was recorded to goodwill. The table below outlines the purchase price allocation of the purchase for ALT5 Subsidiary to the acquired identifiable assets, liabilities assumed and goodwill (in \$000's):

Total purchase price	\$	16,000
Accounts payable		267
Digital assets payable		16,763
Debt		7,613
Total liabilities assumed		<u>24,643</u>
Total consideration		40,643
Cash		5,853
Accounts receivable		2,917
Digital assets receivable		9,082
Intangible assets		
Customer relationships	\$	13,925
Trade names		2,675
Developed technology		<u>1,850</u>
Subtotal intangible assets		18,450
Other		<u>492</u>
Total assets acquired		36,794
Total goodwill	\$	<u>3,849</u>

and

#### Proforma Information

The table below presents selected proforma information for the Company for the thirteen and twenty-six week periods ended September 28, 2024, assuming that the acquisition had occurred on January 1, 2023 (the beginning of the Company's 2023 fiscal year), pursuant to ASC 805-10-50 (in \$000's). This proforma information does not purport to

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represent what the actual results of operations of the Company would have been had the acquisition occurred on that date, nor does it purport to predict the results of operations for future periods.

	As Reported		Adjustments	Proforma
	ALT5 Sigma Corporation Unaudited 13 weeks ended September 28, 2024	ALT5 Subsidiary Unaudited 13 weeks ended September 28, 2024		
Net revenue	\$ 4,941	\$ —		\$ 4,941
Net income	\$ (822)	\$ —	\$ —	\$ (822)
Earnings per basic common share	\$ (0.06)			\$ 0.10
Earnings per basic diluted share	\$ (0.06)			\$ 0.10

	As Reported		Adjustments	Proforma
	ALT5 Sigma Corporation Unaudited 13 weeks ended September 30, 2023	ALT5 Subsidiary Unaudited 13 weeks ended September 30, 2023		
Net revenue	\$ —	\$ 1,657		\$ 1,657
Net income	\$ (214)	\$ 953	\$ (537)	\$ 202
Earnings per basic common share	\$ (0.05)			\$ 0.05
Earnings per basic diluted share	\$ (0.05)			\$ 0.05

	As Reported		Adjustments	Proforma
	ALT5 Sigma Corporation Unaudited 39 weeks ended September 28, 2024	ALT5 Subsidiary Unaudited 39 weeks ended September 28, 2024		
Net revenue	\$ 7,110	\$ 2,918		\$ 10,028
Net income	\$ (2,377)	\$ 71	\$ (806)	\$ (3,112)
Earnings per basic common share	\$ (0.24)			\$ (0.36)
Earnings per basic diluted share	\$ (0.24)			\$ (0.36)

	As Reported		Adjustments	Proforma
	ALT5 Sigma Corporation Unaudited 39 weeks ended September 30, 2023	ALT5 Subsidiary Unaudited 39 weeks ended September 30, 2023		
Net revenue	\$ —	\$ 4,912		\$ 4,912
Net income	\$ 9,993	\$ 2,345	\$ (1,611)	\$ 10,727
Earnings per basic common share	\$ 2.71			\$ 2.91
Earnings per basic diluted share	\$ 2.71			\$ 2.91

(1) Adjustments are related to adjustments made for the following:

- Amortization expense of definite-lived intangible assets has been adjusted based on the preliminary fair value at the acquisition date.

*Soin Pharmaceuticals*

Effective January 24, 2024, the Company, Amol Soin (“Dr. Soin”), and Soin Therapeutics LLC, a wholly-owned subsidiary of the Company that was had acquired from Dr. Soin, entered into an amendment (the “Soin Amendment”) to the parties’ Agreement and Plan of Merger that was dated as of December 28, 2022 (the “Soin Agreement”). With reference to the Soin Agreement, the parties to the Soin Amendment agreed that the \$ 3.0 million convertible tranche (the first of the three original conversion tranches under the Soin Agreement) would be payable to Dr. Soin in cash rather than through his conversion of shares of the Series S Convertible Preferred Stock (the “Soin Preferred”) that constituted the consideration under the Soin Agreement. We tendered the first \$100,000 amended tranche cash payment to Dr. Soin in March 2024; the second amended tranche cash payment to Dr. Soin, also in the amount of \$100,000, is due on July 1, 2024; and the third amended tranche cash payment to Dr. Soin, in the amount of \$ 2.8 million, is due on December 31, 2024. During the pendency of the amended cash tranche period, Dr. Soin agreed that he would not convert any of his shares of Soin Preferred. After we have tendered the second and third amended tranche cash payments to Dr. Soin, his conversion rights for the second and third original conversion tranches will remain convertible under the original provisions of the Soin Agreement and the related Certificate of Designation for the Soin Preferred. If we do not tender the second and third amended tranche cash payments to Dr. Soin, we agreed that we will transfer to him the membership interests of Soin Therapeutics LLC, and he will transfer to us the shares of Soin Preferred for cancellation.

In connection with the Soin Amendment, the Company reclassified the \$ 3.0 million convertible tranche, originally valued at approximately \$ 2.7 million on our balance sheet, from mezzanine equity to current liabilities, and reclassified the \$10.0 million convertible tranche, originally valued at approximately \$ 8.0 million on our balance sheet, to permanent equity. As of September 28, 2024, the outstanding balance in mezzanine equity relates to the \$17.0 million convertible tranche originally valued at approximately \$3.9 million.

**Note 4: Discontinued Operations**

On March 9, 2023, the Company discontinued operations of its Recycling segment as follows:

On March 9, 2023, the Company executed a Stock Purchase Agreement with VM7 Corporation, a Delaware corporation, under which, as of March 1, 2023, the Buyer agreed to acquire all of the outstanding equity interests of (a) ARCA Recycling, Inc., a California corporation, (b) Customer Connexx LLC, a Nevada limited liability company, and (c) ARCA Canada Inc., a corporation organized under the laws of Ontario, Canada (“ARCA Canada”; and, together with ARCA and Connexx, the “Subsidiaries”). The principal of the Buyer is Virland A. Johnson, our Chief Financial Officer. The sale of all of the outstanding equity interests of the Subsidiaries to the Buyer under the Purchase Agreement was consummated simultaneously with the execution of the Purchase Agreement. As of September 28, 2024 and December 30, 2023, no Recycling assets or liabilities were included in discontinued operations.

In accordance with the provisions of ASC 205-20, the Company has not included in the results of continuing operations the results of operations of the discontinued operations in the consolidated statements of operations and comprehensive income (loss). The results of operations for these entities for the 39 weeks ended September 28, 2024 and September 30, 2023 have been reflected as discontinued operations in the consolidated statements of operations and comprehensive income (loss) and consist of the following:

	13 weeks ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Revenues	\$ —	\$ —	\$ —	\$ 3,795
Cost of revenues	—	—	—	3,992
Gross profit	—	—	—	(197)
Operating expenses from discontinued operations:				
Selling, general and administrative expenses	\$ —	\$ —	—	1,468
Gain on sale of ARCA	—	—	—	(15,824)
Total operating expenses from discontinued operations	—	—	—	(14,356)
Operating income from discontinued operations	—	—	—	14,159
Other income (expense) from discontinued operations				
Interest expense, net	—	—	—	(181)
Other income expense, net	—	—	—	(2)
Total other income (loss), net	—	—	\$ —	\$ (183)
Income before provision for income taxes from discontinued operations	—	—	—	13,976
Income tax provision (benefit)	—	(28)	—	3,158
Net income from discontinued operations	\$ —	\$ 28	\$ —	\$ 10,818

In accordance with the provisions of ASC 205-20, the Company has separately reported the cash flow activity of the discontinued operations in the consolidated statements of cash flows. The cash flow activity from discontinued operations for the 39 weeks ended September 28, 2024 and September 30, 2023 have been reflected as discontinued operations in the consolidated statements of cash flows and consist of the following:

	39 weeks ended	
	September 28, 2024	September 30, 2023
<b>DISCONTINUED OPERATING ACTIVITIES:</b>		
Net income from discontinued operations	—	10,818
Depreciation and amortization	—	96
Amortization of debt issuance costs	—	11
Amortization of right-of-use assets	—	53
Change in deferred taxes	—	3,157
Gain on sale of ARCA, net of cash	—	(15,967)
Gain on sale of GeoTraq	—	—
<b>Changes in assets and liabilities:</b>		
Accounts receivable	—	2,932
Inventories	—	299
Prepaid expenses and other current assets	—	55
Accounts payable and accrued expenses	—	866
Net cash provided by operating activities from discontinued operations	\$ —	\$ 2,320
<b>DISCONTINUED INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	—	(123)
Purchase of intangible assets	—	(33)
Net cash used in investing activities from discontinued operations	\$ —	\$ (156)
<b>DISCONTINUED FINANCING ACTIVITIES:</b>		
Proceeds from note payable	—	5,162
Payment on related party note	—	(38)
Proceeds from issuance of short-term notes payable	—	(7,291)
Payments on notes payable	—	(45)
Net cash used in financing activities from discontinued operations	\$ —	\$ (2,212)
Effect of changes in exchange rate on cash and cash equivalents	—	(5)
DECREASE IN CASH AND CASH EQUIVALENTS	—	(53)
CASH AND CASH EQUIVALENTS, beginning of period	—	53
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ —

**Note 5: Trade and other receivables**

The Company's trade and other receivables as of September 28, 2024 and December 30, 2023, respectively, were as follows (in \$000's):

	September 28, 2024	December 30, 2023
Trade receivables	853	—
Interest receivable - SPYR	—	266
Other receivables	50	—
Trade and other receivables, net	\$ 903	\$ 266

During the three months ended September 28, 2024, the Company was notified that SPYR Technologies, Inc. ("SPYR") had ceased operations, and that no future quarterly interest payments on the promissory note for the Company's sale of its subsidiary GeoTraq, Inc. would be made. Consequently, the Company has recorded an allowance of approximately \$250,000 against the existing balance in accounts receivable related to SPYR's interest payments.

**Note 6: Prepaids and other current assets**

Prepaids and other current assets as of September 28, 2024 and December 30, 2023 consist of the following (in \$000's):

	September 28, 2024	December 30, 2023
Prepaid consulting agreements	\$ 1,149	\$ 3
Prepaid insurance	3	72
Prepaid other	285	—
Total prepaid expenses and other current assets	<u>\$ 1,437</u>	<u>\$ 75</u>

**Note 7: Property and Equipment**

Property and equipment as of September 28, 2024 and December 30, 2023 consist of the following:

	September 28, 2024	December 30, 2023
Projects under construction	\$ 1,170	\$ —
Total property and equipment, net	<u>\$ 1,170</u>	<u>\$ —</u>

The Company recorded no depreciation expense from continuing operations for the 39 weeks ended September 28, 2024 and September 30, 2023.

**Note 8: Leases**

In connection with its acquisition of ALT5 Subsidiary (see Note 3), the Company leases commercial office space. These assets and properties are leased under noncancelable agreements that expire at various future dates. The agreements, which have been classified as operating leases, provide for minimum rent and require the Company to pay all insurance, taxes, and other maintenance costs. As a result, the Company recognizes assets and liabilities for leases with lease terms greater than 12 months. The amounts recognized reflect the present value of remaining lease payments for all leases. The discount rate used is an estimate of the Company's blended incremental borrowing rate based on information available associated with each subsidiary's debt outstanding at lease commencement. In considering the lease asset value, the Company considers fixed and variable payment terms, prepayments and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised.

The following table details the Company's right of use assets and lease liabilities as of September 28, 2024 and December 30, 2023 (in \$000's):

	September 28, 2024	December 30, 2023
Right of use asset - operating leases	\$ 120	\$ —
Lease liabilities:		
Current - operating	26	—
Long term - operating	94	—

As of September 28, 2024, the weighted average remaining lease term for operating leases is 2.4 years. The Company's weighted average discount rate for operating leases is 11.0%. Total cash payments for operating leases for the 39 weeks ended September 28, 2024 was approximately \$ 19,000. No cash payments for operating leases were made during the 39

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weeks ended September 30, 2023. Additionally, the Company recognized approximately \$ 134,000 in right of use assets and liabilities upon commencement of operating leases during the 39 weeks ended September 28, 2024.

Total present value of future lease payments of operating leases as of September 28, 2024 (in \$000's):

Twelve months ended	
2025	\$ 57
2026	57
2027	24
Total	138
Less implied interest	(18)
Present value of payments	\$ 120

**Note 9: Intangible Assets**

Intangible assets as of September 28, 2024 and December 30, 2023 consist of the following (in \$000's):

	September 28, 2024	December 30, 2023
Soin intangibles *	\$ 19,293	\$ 19,293
Customer relationships	13,925	—
Trade names	2,675	—
Developed technology	1,850	—
Patents and domains	\$ 4	\$ 4
Intangible assets	37,747	19,297
Less accumulated amortization	(3,770)	(1,451)
Total intangible assets	\$ 33,977	\$ 17,846

\* The Soin intangibles acquired by the Company consist of the following:

1. Two pending patents and one approved patent related to the methods of using low-dose Naltrexone to treat chronic pain;
2. Final formula for Naltrexone; and
3. Orphan drug designation as approved by the FDA.

Intangible amortization expense was \$2.1 million and \$363,000 for the 13 weeks ended September 28, 2024 and September 30, 2023 and \$ 2.3 million and \$1.1 million for the 39 weeks ended September 28, 2024 and September 30, 2023.

**Note 10: Marketable Securities**

Marketable securities in connection with SPYR's acquisition of GeoTraq consist of the following (in \$000's, except shares):

	Series G Convertible Preferred Shares	Common Shares Equivalent	Amount
Beginning Balance, December 30, 2023	9,224	952,442,000	\$ 286
Securities received	8,469	846,900,000	84
Mark-to-market	—	—	(190)
Ending Balance, March 30, 2024	17,693	1,799,342,000	180
Securities received	25,407	25,407,000,000	434
Mark-to-market	—	—	(180)
Ending Balance, June 29, 2024	43,100	27,206,342,000	\$ 434
Write off of marketable securities	—	—	(434)
Ending Balance, September 28, 2024	—	—	\$ —

During the three months ended September 28, 2024, the Company was notified that SPYR Technologies, Inc. ("SPYR") had ceased operations, and that no future quarterly interest payments on the promissory note, which may be remitted in either restricted shares of common stock or restricted shares of Series G Convertible Preferred Stock of SPYR, or in cash, would be made. Consequently, the Company has recorded a full write-off of approximately \$434,000 of its Series G Convertible Preferred shares of SPYR.

**Note 11: Deposits and Other Assets**

Deposits and other assets as of September 28, 2024 and December 30, 2023 consist of the following (in \$000's):

	September 28, 2024	December 30, 2023
Other	—	9
Total deposits and other assets	\$ —	\$ 9

**Note 12: Accrued Liabilities**

Accrued liabilities as of September 28, 2024 and December 30, 2023 consist of the following (in \$000's):

	September 28, 2024	December 30, 2023
Compensation and benefits	\$ 80	\$ 37
Accrued guarantees	1,209	3,049
Accrued legal	472	—
Accrued interest	698	—
Accrued taxes	37	102
Accrued litigation settlement	650	397
Other	655	48
Total accrued expenses	\$ 3,801	\$ 3,633

**Note 13: Debentures**

Debentures outstanding as of September 28, 2024 and December 30, 2023 consisted for the following (in \$000's):

	September 28, 2024	December 30, 2023
Interest rate of 12%, maturity date of June 30, 2025	563	—
Total debentures	\$ 563	\$ —

ALT Subsidiary issued 39 debentures over a period from October 2018 through September 2019. The debentures bear interest at 12% per annum and mature as of June 30, 2024 or June 30, 2025. During the 13 weeks ended September 28, 2024, ALT Subsidiary repaid 33 of the debentures in the amount of approximately \$1.1 million.

**Note 14: Long-Term Debt**

Long-term debt as of September 28, 2024 and December 30, 2023 consisted of the following (in \$000's):

	September 28, 2024	December 30, 2023
Legacy subsidiary fixed deposits	\$ 2,125	\$ —
Legacy subsidiary loan	2,533	—
Unaffiliated third-party	4,570	—
Other	44	—
Total notes payable, related parties	9,272	—
Less current portion	(2,577)	—
Total long-term notes payable, related parties	\$ 6,695	\$ —

**Legacy Subsidiary Fixed Deposits**

During April 2024, ALT5 Subsidiary entered into several Corporate Fixed Deposit Agreements with otherwise unaffiliated third-parties, pursuant to which the Company became obligated for an aggregate of \$2.4 million, as set forth in the respective agreements. Each obligation bears interest at a rate of 12% per annum, and has a maturity date of March 13, 2027. As of September 28, 2024, the outstanding aggregate obligations totaled approximately \$2.1 million.

**Legacy Subsidiary Loan**

On August 10, 2023, ALT5 Subsidiary entered into an extension agreement for a Bitcoin promissory note with an otherwise unaffiliated third-party. Pursuant to the terms of the extension agreement, the maturity date is August 10, 2024. The promissory note bears interest at 15% per annum. As of September 28, 2024, the outstanding balance of the note was approximately \$2.5 million (principal and accrued interest).

**Unaffiliated Third-Party Loans**

On February 7, 2024, the Company amended its outstanding related party promissory obligations (the "ICG Note") in favor of Isaac Capital Group LLC ("ICG") to add a convertibility provision. In accordance with Nasdaq Rules, the per-share conversion price was set at \$0.61, subject to standard adjustments for (i) stock dividends and splits, (ii) subsequent rights offerings, and (iii) pro rata distributions. The Company's board of directors provided its approvals of the amendments on February 7, 2024. On March 6, 2024, ICG entered into a Note Purchase Agreement with an otherwise unaffiliated third party, under which the third party acquired the ICG Note. The terms and conditions of the ICG Note were not modified in connection with its acquisition by the third party. The principal amount of the ICG Note on the date of acquisition was approximately \$1.2 million. On March 25, 2024, the third party converted \$183,000 of the Company's obligation under the ICG Note into 300,000 shares of the Company's common stock, and on April 12, 2024, the third-party converted \$60,900 into 100,000 shares of the Company's common stock. During the 13 weeks ended September 28, 2024, the third party converted an additional \$305,000 of the Company's obligation under the ICG Note into 500,000 shares of the Company's common stock. As of September 28, 2024, the amount outstanding on the ICG Note was approximately \$0.70 million.

On February 7, 2024, the Company amended its outstanding related party promissory obligations (the "Live Note") in favor of Live Ventures Incorporated ("Live") to add a convertibility provision. In accordance with Nasdaq Rules, the per-share conversion price for each obligation, as amended, was set at \$0.61, subject to standard adjustments for (i) stock dividends and splits, (ii) subsequent rights offerings, and (iii) pro rata distributions. The Company's board of directors provided its final approvals of the amendments on February 7, 2024. On March 6, 2024, Live entered into a Note Purchase Agreement with another otherwise unaffiliated third party, under which the third party acquired the Live Note. The terms and conditions of the acquired Live Note were not modified in connection with its acquisition by the third party. The principal amount of the Live Note on the date of acquisition was approximately \$1.0 million. On March 22, 2024, the third party converted \$183,000 of the Company's obligation under the Live Note into 300,000 shares of the Company's common stock, and on April 10, 2024, the third-party converted \$60,900 into 100,000 shares of the Company's common stock. As of September 28, 2024, the amount outstanding on the Live Note was approximately \$0.80 million.

On August 20, 2024, the Company entered into three Purchase Agreements with three otherwise unaffiliated third-party investors (the "Investors"), pursuant to which (1) one Investor agreed to purchase a unit (the "Unit"), consisting of (i) a non-convertible debenture in the principal amount of up to approximately \$1.8 million (the "Big Debenture"), and (ii) a warrant (the "Big Warrant") for the purchase of up to 400,000 shares of the Company's Common Stock and (2) the two other Investors each agreed to purchase a Unit, consisting of (i) a non-convertible debenture in the principal amount of up to \$404,454 (the "Small Debenture", and, together with the Big Debenture, the "Debentures") and (ii) a warrant (the "Small Warrant", and, together with the Big Warrant, the "Warrants") for the purchase of up to 90,909 shares of Common Stock.

The Debentures are unsecured and subordinated to any existing or future debt. The Debentures bear interest at a rate of (i) 1% per month from and after August 20, 2024 ("Original Issue Date") through and including October 31, 2024, (ii) 3% per month from and after November 1, 2024 through and including January 29, 2025, and (iii) 4% per month from and after January 30, 2025 through and including the date of repayment.

The Big Debenture was issued with an original issue discount (an "OID") initially of \$171,000, which OID can be expanded with up to two potential additions, the first in the amount of \$171,000 and, thereafter, in the amount of \$342,000, which OIDs will increase the principal amount owing on the Big Debenture. With the original OID, the initial principal amount owing under the Big Debenture is approximately \$1.3 million; if, expanded, the principal amount would increase to approximately \$1.4 million and, thereafter, potentially to approximately \$1.8 million. The first potential increase in the Big Debenture OID would occur if the initial principal amount and interest accrued thereon is not paid in full on or before October 31, 2024. The second potential increase in the OID would occur if the initial principal amount (including the first potential increase in the OID) and interest accrued thereon is not paid in full on or before January 29, 2025.

The Small Debentures were issued with an OID initially of \$38,863, which OID can be expanded with up to two potential additions, the first in the amount of \$38,863 and, thereafter, in the amount of \$77,728, which OIDs will increase the principal amount owing on the Small Debentures. With the original OID, the initial principal amount owing under a Small Debenture is \$288,864; if, expanded, the principal amount would increase to \$327,726 and, thereafter, potentially to \$405,454. The first potential increase in the Small Debenture OID would occur if the initial principal amount and interest accrued thereon is not paid in full on or before October 31, 2024. The second potential increase in the OID would occur if the initial principal amount (including the first potential increase in the OID) and interest accrued thereon is not paid in full on or before January 29, 2025.

As of November 1, 2024, the first of the two additional OIDs was effective. The final maturity date for each of the Debentures is April 28, 2025.

The Big Warrant is exercisable, at an exercise price of \$1.71 per share, as follows: (i) 100,000 shares of Common Stock as of Original Issue Date, (ii) contingently for an additional 100,000 shares of Common Stock as of October 31, 2024, if, as of such date, the Company has not repaid in full its obligations under the Big Debenture, and (iii) contingently for an additional 200,000 shares of Common Stock as of January 29, 2025, if, as of such date, the Company has not repaid in full its obligations under the Big Debenture.

The Small Warrant is exercisable, at an exercise price of \$1.71 per share, as follows: (i) 22,727 shares of Common Stock as of Original Issue Date, (ii) contingently for an additional 22,727 shares of Common Stock as of October 31, 2024, if, as of such date, the Company has not repaid in full its obligations under the Small Debenture, and (iii) 45,455 shares of Common Stock as of January 29, 2025, if, as of such date, the Company has not repaid in full its obligations under the Small Debenture.

As of November 1, 2024, the contingent second tranche of the Warrants vested.

Each Investor is required to exercise the initial tranche of each Warrant within 15 days of the Original Issue Date. Upon the vesting of each contingent tranche of a Warrant vest, each Investor shall exercise such vested, contingent tranche within 15 days of the vesting of such contingent tranche. If the Company consummates any equity or debt financing before satisfying in full its obligations under the Debentures, then 50% of every net dollar received by the Company from any such financing transaction shall be paid by the Company to the holders of the Debentures, on a pro rata basis, as a mandatory pre-payment thereof. In the event the Company has repaid all sums owing under a Debenture to the Investor, except for an amount equal to any non-conditional OID, the Company has the right, not the obligation, to exercise the vested portion of the Warrant held by the Debenture holder through a set-off of any or all such unpaid OID, on a dollar-for-dollar basis. The Warrants also feature a “cashless” exercise provision. In lieu of making the cash payment otherwise contemplated to be made to the Company upon exercise of a Warrant in payment of the aggregate exercise price, the holder may elect instead to receive upon such exercise (either in whole or in part) the net number of shares of Common Stock determined according to a formula set forth in the Warrant. As of September 28, 2024, the outstanding balance due on the debentures was \$1.6 million.

On September 19, 2024, ALT5 Subsidiary and an occasional investor in the Company entered into a 12-month Corporate Fixed Deposit Agreement, pursuant to which ALT5 Subsidiary borrowed \$1.5 million at an interest rate of 12% per annum, payable monthly, calculated on the then-unpaid principal amount. Upon maturity, ALT5 Subsidiary is obligated to repay the principal amount in full and any accrued and unpaid interest. The principal may be repaid in full, but not in part, with a pre-payment penalty equivalent to three month’s of interest. As of September 28, 2024, the outstanding balance was \$1.5 million.

**Note 15: Related Party Debt**

Long-term debt payable to related parties (see Note 20) as of September 28, 2024 and December 30, 2023 consisted of the following (in \$000’s):

	September 28, 2024	December 30, 2023
Isaac Capital Group	\$ —	\$ 707
Isaac Capital Group, 10% interest rate, matures December 31, 2024	319	—
Live Ventures Incorporated, 10% interest rate, matures December 31, 2024	319	—
Jon Isaac consulting agreement, 10% interest rate, matures March 4, 2026	529	—
Isaac Capital Group short-term demand advance, 10% interest rate	50	—
Novalk Apps SAA, LLP short-term demand advance, 10% interest rate	110	—
<b>Total notes payable, related parties</b>	<b>1,327</b>	<b>707</b>
Less current portion	(798)	—
<b>Total long-term notes payable, related parties</b>	<b>\$ 529</b>	<b>\$ 707</b>

Twelve months ending September 30,		
2025		\$ —
2026		—
<b>Total future maturities of long-term debt, related parties</b>		<b>\$ —</b>

**Isaac Capital Group LLC**

On February 7, 2024, the Company amended its outstanding related party promissory obligations (the “ICG Note”) in favor of ICG to add a convertibility provision. In accordance with Nasdaq Rules, the per-share conversion price was set at \$0.61, subject to standard adjustments for (i) stock dividends and splits, (ii) subsequent rights offerings, and (iii) pro rata distributions. The Company’s board of directors provided its approvals of the amendments on February 7, 2024. On March 6, 2024, ICG entered into a Note Purchase Agreement with an otherwise unaffiliated third party, under which the third party acquired the ICG Note. The terms and conditions of the ICG Note were not modified in connection with its acquisition by the third party. The principal amount of the ICG Note on the date of acquisition was approximately \$1.2 million. On March 25, 2024, the third party converted \$183,000 of the Company’s obligation under the ICG Note into

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300,000 shares of the Company's common stock. As of September 28, 2024, the amount outstanding on the ICG Note was approximately \$ 319,000 (see Note 22).

On April 18, 2024, ICG made a short-term demand advance to the Company in the amount of \$ 100,000. The advance bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the principal amount outstanding was \$50,000 (see Note 22).

### **Live Ventures Incorporated**

On February 7, 2024, the Company amended its outstanding related party promissory obligations (the "Live Note") in favor of Live Ventures to add a convertibility provision. In accordance with Nasdaq Rules, the per-share conversion price for each obligation, as amended, was set at \$0.61, subject to standard adjustments for (i) stock dividends and splits, (ii) subsequent rights offerings, and (iii) pro rata distributions. The Company's board of directors provided its final approvals of the amendments on February 7, 2024. On March 6, 2024, Live Ventures entered into a Note Purchase Agreement with another otherwise unaffiliated third party, under which the third party acquired the Live Note. The terms and conditions of the acquired Live Note were not modified in connection with its acquisition by the third party. The principal amount of the Live Note on the date of acquisition was approximately \$1.0 million. On March 22, 2024, the third party converted \$ 183,000 of the Company's obligation under the Live Note into 300,000 shares of the Company's common stock. As of September 28, 2024, the amount outstanding on the Live Note was approximately \$319,000 (see Note 22).

### **Jon Isaac**

On March 4, 2024, the Company entered into a two-year Consulting Agreement with Jon Isaac, pursuant to which he will provide to the Company (the "Services"): (i) strategic financial advice, including growth strategies, capital allocation, and financial restructuring; (ii) sales and business development advice, including for the acquisition of new clients and new products through networking, referrals, and marketing efforts for our prospective products; (iii) in-depth research and market intelligence on specific industries, sectors, and market trends; (iv) financial models and financial analysis to support strategic decision-making; (v) assistance, through site visits, in the preparation of new client offers and bids for proposed projects; (vi) weekly update calls with management to align on progress of objectives and goals; (vii) enhanced non-confidential materials; (viii) business risk management support; and (ix) other services to which the Company and he may agree that will be memorialized in writing if, when, and as needed during the two-year term. In connection with the Consulting Agreement, the Company entered into a two-year, straight 10% convertible promissory note in the initial principal amount of \$ 500,000, with an interest rate of 10.0% and a per-share conversion price equivalent to the per-share value of the restricted common stock that he was granted (\$ 1.16). The maturity date of the promissory note is March 4, 2026. As of September 28, 2024, the principal balance outstanding on the promissory note was \$529,000 (see Note 22).

### **Novalk Apps SAA, LLP**

On May 28, 2024 and June 3, 2024, Novalk Apps SAA, LLP ("Novalk") made short-term demand advances in the amount of \$ 120,000 and \$100,000, respectively, to the Company. The advances bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the principal amount outstanding was \$110,000 (see Note 22).

### **Tony Isaac**

During June 3, 2024, Tony Isaac made a number of short-term demand advances in the aggregate amount of \$ 62,000 to the Company. The advances bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the principal amount outstanding was fully repaid (see Note 22).

## **Note 16: Commitments and Contingencies**

### *Litigation*

#### **SEC Complaint**

On August 2, 2021, the U.S. Securities and Exchange Commission ("SEC") filed a civil complaint (the "SEC Complaint") in the United States District Court for the District of Nevada naming the Company and one of its executive officers, Virland Johnson, the Company's Chief Financial Officer, as defendants (collectively, the "Defendants"). Pursuant to an agreed-upon Order of the Court, on May 28, 2024, the Company settled its litigation with the SEC. The Settlement Agreement provided, in pertinent part: "Without admitting or denying the allegations of the complaint (except as provided herein in paragraph 12 and except as to personal and subject matter jurisdiction, which [the Company] admits), [the Company] hereby consents to the entry of the final Judgment in the form attached hereto (the "Final Judgment") and

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incorporated by reference herein, which, among other things: “(a) permanently restrains and enjoins [the Company] from violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder [15 U.S.C. § 78j(b) and 17 C.F.R. §§ 240.10b-5]; and (c)[sic] orders [the Company] to pay a civil penalty in the amount of \$250,000 under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].” The SEC has agreed to accept four quarterly payments from the Company, each in the amount of \$62,500. The Settlement Agreement is attached to the Order as Exhibit 1, both of which documents may be viewed at <https://ecf.nvd.uscourts.gov/doc1/115110470966>.

The SEC Complaint's remaining allegations relate to financial, disclosure and reporting violations against the executive officer under Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5. The SEC Complaint also alleges various claims against the executive officer under Sections 13(a), 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Exchange Act and Rules 12b-20, 13a-1, 13a-13, 13a-14, 13b2-1, and 13b2-2. The SEC continues to seek a permanent injunction, civil penalties, and an officer-and-director bar against the executive officer. The foregoing is only a general summary of the SEC Complaint, which may be accessed on the SEC's website at <https://www.sec.gov/litigation/litreleases/2021/lr25155.htm>.

### Skybridge

On December 29, 2016, the Company served a Minnesota state court complaint for breach of contract on Skybridge Americas, Inc. (“SA”), the Company's primary call center vendor throughout 2015 and most of 2016. The Company and SA held a mediation session in July 2020. Trial was held in August 2020 and, on February 1, 2021, the District Court assessed damages against the Company in the amount of approximately \$715,000 plus interest, fees, and costs and attorneys' fees of \$475,000. In subsequent proceedings, the Appeals Court affirmed the District Court judgment. Of the total amount awarded to SA, less the funds that the Company had previously deposited with the District Court, SA remained entitled to approximately \$422,000 of statutory interest, which obligation was assumed by the buyer in connection with the Company's disposition of ARCA and its subsidiaries.

On April 10, 2024, SA sold its judgment to an otherwise unaffiliated third party for the face value of the judgment and the interest accrued thereon through that date (an aggregate of \$433,920.03), plus accrued legal fees (in the amount of \$ 18,123.50) to which SA was entitled in accordance with the terms of the underlying agreement with the Company and with the judgment. The purchaser agreed to forbear from enforcing the judgment, subject to the Company's repayment or his conversion thereof. In connection with the third-party's forbearance, the Company issued its promissory note to such person in the initial principal amount of 147,956.47, which bears interest at the rate of 10% per annum, and, as with the underlying judgment, is convertible into shares of the Company's common stock at a fixed per-share conversion price of \$2.60.

### GeoTraq

On or about April 9, 2021, GeoTraq, Gregg Sullivan, Tony Isaac, and we, among others, resolved all of their claims that related to, among other items, the Company's acquisition of GeoTraq in August 2017, all post-acquisition activities, and Mr. Sullivan's post-acquisition employment relationship with GeoTraq (all of such claims, the “GeoTraq Matters”). The resolution was effectuated through the parties' execution and delivery of a Settlement Agreement and Mutual Agreement of Claims (the “GeoTraq Settlement Agreement”).

Under the terms of the Settlement Agreement, the Company, on its own behalf and on behalf of GeoTraq and Mr. Isaac, agreed to tender to Mr. Sullivan an aggregate of \$1.95 million (the “GeoTraq Settlement Consideration”) in the following manner: (i) \$ 250,000, which was tendered in cash on or about the date of the Settlement Agreement and (ii) up to 10 quarterly installments of not less than \$ 170,000 that commenced on June 1, 2021, and continued not less frequently than every three months thereafter (the “GeoTraq Installments”). The Company may tender the GeoTraq Installments in cash or in the equivalent value of shares of its common stock (the value of the shares to be determined by a formula set forth in the Settlement Agreement), in either case at the Company's discretion. The Company may also prepay one or more GeoTraq Installments in full or in part at any time or from time to time either in cash or in shares of its common stock (a “GeoTraq Prepayment”). If the Company elected to prepay one or more GeoTraq Installments with shares of its common stock, Mr. Sullivan reserved the right not to consent to a tender thereof in excess of 50% of the value of that specific GeoTraq Prepayment; however, Mr. Sullivan was restricted in the reasons for which he can refuse to provide his written consent. The number of shares of the Company's common stock to be issued upon any GeoTraq Prepayment is determined by a different formula than the one to be utilized for a GeoTraq Installment. On March 17, 2023, the Company converted 5,185 of Mr. Sullivan's Series A-1 Preferred shares and issued 103,707 shares of the Company's common stock as payment for its quarterly installment. On June 1, 2023, the Company converted 7,697 of Mr. Sullivan's Series A-1 Preferred shares into 153,941 shares of the Company's common stock in payment of its June 30, 2023 quarterly installment. On September 1, 2023, the Company converted 14,471 of Mr. Sullivan's Series A-1 Preferred shares into 289,421 shares of the Company's

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common stock in payment of its September 30, 2023 quarterly installment. As of September 30, 2023, the full balance due under the Settlement Agreement had been repaid and the remaining 1,505 shares of Mr. Sullivan's Series A-1 Preferred shares were returned to the Company for cancellation without any further consideration.

The parties to the Settlement Agreement released and forever discharged one another from any and all known and unknown claims that were asserted or could have been asserted arising out of the GeoTraq Litigation Matters.

### Alixpartners, LLC

On October 19, 2022, Alixpartners, LLC filed a complaint in the Supreme Court of the State of New York, County of New York, styled *Alixpartners, LLC, plaintiff/petitioner, against JanOne Inc.*, Index No. 653877/2022. Plaintiff alleged the breach of an agreement and sought damages in the amount of approximately \$345,000. The Company denied that obligation. After extensive negotiations, the parties reached a settlement, pursuant to which the Company agreed to pay to Alixpartners the sum of \$125,000 in two tranches and to provide a confession of judgment in its favor in the amount of approximately \$450,000, which represented the amount sought in the complaint plus interest thereon. The confession of judgment will be null and void and the complaint will be dismissed with prejudice upon the Company tendering both tranches timely. The Company tendered both settlement payments in May 2023, and the complaint was subsequently dismissed and, accordingly, the Confession of Judgment was rendered null and void.

### Sieggreen

In a matter pending in the United States District Court for the District Of Nevada, Case No. 2:21-cv-01517-CDS-EJY, styled as *Sieggreen, Individually and On Behalf of All Others Similarly Situated, Plaintiff, v. Live Ventures Incorporated, Jon Isaac, and Virland A. Johnson, Defendants*, the Company was added as a defendant on March 6, 2023, and was served on March 23, 2023. Plaintiff has alleged causes of action against the Company for (i) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder and (ii) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5(a) and 10b-5(c) promulgated thereunder. In June 2023 the Company filed a Motion to Dismiss, which the Court granted and provided Plaintiff with leave to file a Second Amended Complaint. On October 31, 2024, Plaintiff filed its Second Amended Complaint. The Company strongly disputes and denies all of the allegations contained therein and will continue to defend itself vigorously against the claims.

### Main/270

The Company is a defendant in an action filed on April 11, 2022, in the U.S. District Court Southern District of Ohio, Eastern Division, styled, *Trustees Main/270, LLC, Plaintiff, vs ApplianceSmart, Inc. and JANONE, Inc., Defendant*, Case No.: 2:22-cv-01938-ALM-EPD. The Company was a guarantor of the lease between the Plaintiff and ApplianceSmart, Inc. Plaintiff alleged a cause of action against the Company in respect of the guaranty and seeks approximately \$90,000 therefor. Plaintiff also seeks approximately \$ 1,420,000 against ApplianceSmart and the Company on a joint and several basis. The Company and Live Ventures, the parent company of ApplianceSmart, have an agreement, pursuant to which all attorney's fees and any judgment will be divided equally between the parties. Nevertheless, the Company does not believe that it is obligated to Plaintiff in that amount and the parties continue to negotiate a potential settlement.

### Westerville Square

In an attempt to recover payments due under a lease, in 2021, Westerville Square, Inc., as the landlord, initiated a civil action against the Company, styled *Westerville Square, Inc. v. Appliance Recycling Centers Of America, Inc., et al.*, in the Court of Common Pleas of Franklin County, Ohio, Case No. 19 CV 8627. The case was stayed during the bankruptcy proceedings of ApplianceSmart, Inc., and was reinstated on June 7, 2021. The landlord is currently seeking \$120,000, which amount is disputed by the Company. Effective June 4, 2023, the parties settled the matter, pursuant to which settlement the Company tendered the sum of \$110,000 to the landlord, the parties entered into a Settlement Agreement and Release, and the case was dismissed with prejudice.

### Other Commitments

On December 30, 2017, the Company disposed of its retail appliance segment and sold ApplianceSmart to Live Ventures, a related party. In connection with that sale, as of January 2, 2021, the Company accrued an aggregate amount of future real property lease payments of approximately \$767,000 which represented amounts guaranteed or which may have been owed under certain lease agreements to three third-party landlords in which the Company either remained the counterparty, was a guarantor, or had agreed to remain contractually liable under the lease ("ApplianceSmart Leases"). A final decree was issued by the court on February 28, 2022, upon the full satisfaction of the Plan, at which time ApplianceSmart emerged from Chapter 11. During the year ended December 30, 2023, the Company reversed approximately \$637,000 of the accrual, as the Company is no longer liable for two of these guarantees upon ApplianceSmart's emergence from

bankruptcy. As of December 30, 2023, a balance of approximately \$ 130,000 remains as an accrued liability due to an ongoing dispute concerning one of the leases. The Company and Live Ventures have agreed to divide in half between them any ultimate balance owing thereunder and any attorneys' fees expended in relation thereto..

The Company is party from time to time to other ordinary course disputes that we do not believe to be material to our financial condition as of September 28, 2024.

**Note 17: Stockholders' Equity**

Common Stock: Our Articles of Incorporation authorize 200,000,000 shares of common stock that may be issued from time to time having such rights, powers, preferences, and designations as the Board of Directors may determine. During the 13 weeks ended September 28, 2024 and September 30, 2023, no shares of common stock were issued in lieu of professional services.

On August 18, 2023, the Company entered into a Securities Purchase Agreement with a certain institutional investor for the sale by the Company in a registered direct offering of: (i) 418,000 shares of the Company's common stock, par value \$ 0.001 per share, at an offering price of \$ 0.8811 per share and (ii) pre-funded warrants exercisable for up to 481,348 shares of Common Stock to the Investor at an offering price equal to \$ 0.8801 per pre-funded Warrant. In connection with the Securities Purchase Agreement, during the 13 weeks ended March 30, 2024, the Company issued 27,738 shares of its common stock to three third-parties in exchange for brokerage services.

On October 9, 2023, the stockholders approved the Company's 2023 Equity Incentive Plan (the "2023 Plan") at its Annual Meeting of Stockholders held in October 2023, the Company's Compensation Committee awarded 908,852 Restricted Stock Units ("RSU's") to various employees of the Company. The RSU's were immediately vested, and the total value of the award was \$345,000 based upon the closing price of \$0.3796 of the Company's stock on October 9, 2023. The 2023 Plan having been approved by stockholders, 908,852 shares of the Company's common stock were issued during the 13 weeks ended March 30, 2024.

On February 23, 2024, the Company entered into Unit Purchase Agreements with two otherwise unaffiliated third-party investors, pursuant to which each Investor agreed to purchase 408,163 units of securities from the Company, at a price per Unit of \$ 0.7350, for an aggregate purchase price of \$300,000 per investor for an aggregate price of \$600,000. Each Unit consists of one share of the Company's common stock and one warrant to purchase an additional share of common stock. The per-Unit price is allocated as follows: \$0.61 per share of common stock and \$ 0.125 per Warrant. The Warrant has a three-year term and will be immediately exercisable. Each Warrant is exercisable at \$0.61 per share. The Company intends to use the proceeds from the Unit Purchases for its working capital needs. Further, the Company issued an additional 81,632 shares of its common stock to another party in exchange for brokerage services rendered.

On March 4, 2024, the Company entered into a two-year Consulting Agreement (the "Consulting Agreement") with Jon Isaac, pursuant to which he will provide a variety of services to the Company. In connection with the Consulting Agreement, the Company issued to Mr. Isaac 200,000 restricted shares of its common stock (see Note 22).

On March 22, 2024, pursuant to the terms and conditions of a promissory note, the Company converted \$ 183,000 of obligations into 300,000 shares of the Company's common stock (see Note 22).

On March 25, 2024, pursuant to the terms and conditions of a promissory note, the Company converted \$ 183,000 of obligations into 300,000 shares of the Company's common stock (see Note 22).

On April 10, 2024, pursuant to the terms and conditions of a promissory note, the Company converted \$ 60,900 of obligations into 100,000 shares of the Company's common stock (see Note 22).

On April 12, 2024, pursuant to the terms and conditions of a promissory note, the Company converted \$ 60,900 of obligations into 100,000 shares of the Company's common stock (see Note 22).

On Mar 4, 2024, the Company entered into an Asset Purchase Agreement for the purchase of specified assets of North York LTD. For the purchase of the assets, the Company (i) issued 300,000 restricted shares of its common stock, (ii) issued 5,000 shares of its Series V Convertible Preferred Stock, and (iii) granted a three-year warrant for the purchase of up to 125,000 shares of its common stock at an exercise price of \$ 1.25 per share.

On May 1, 2024, the Company entered into a Securities Purchase Agreement with two institutional investors for the sale by the Company of 79,782 units of the Company's securities at a purchase price of \$3.775 per unit, each unit consisting of one share of the Company's common stock and one common stock purchase warrant for the purchase of an additional share of Common Stock. Each three-year warrant is exercisable immediately at an exercise price of \$ 3.63 per share. The gross proceeds were approximately \$300,000, before deducting related expenses.

On May 15, 2024, the Company acquired ALT5 Subsidiary. As consideration under the acquisition, the Company issued 1,799,100 shares of its common stock to the legacy equity holders of the capital stock of ALT5 (see Note 3).

On June 3, 2024, the Company entered into a six-month marketing agreement with a non-affiliated third-party, pursuant to which the third-party will provide a variety of marketing-related services to the Company. In connection with the marketing agreement, the Company issued to the third-party 47,923 shares of its common stock.

On June 6, 2024, the Company entered into a one-year consulting agreement with a non-affiliated third-party, pursuant to which the third party will provide a variety of finance and investor-related services to the Company. In connection with the marketing agreement, the Company issued to the third-party 150,000 shares of its common stock.

During the three months ended September 28, 2024, the Company issued an aggregate of 295,000 shares of its common stock to four individuals under the Company's 2023 Equity Incentive Plan. The aggregate value of the shares at issuance was approximately \$1.2 million.

As of September 28, 2024, and December 30, 2023, there were 14,019,015 and 4,957,647 shares, respectively, of common stock issued and outstanding.

Stock Options: The Company's 2023 Plan, which was adopted by the Board in August 2023 and approved by the stockholders at the 2023 Annual Meeting of Stockholders, replaces the 2016 Plan, which replaced the 2011 Plan. Under the 2023 Plan, the maximum aggregate number of shares, which may be subject to or delivered under Awards granted under the Plan is two million (2,000,000) shares. Awards may be in the form of a Stock Award, Option, Stock Appreciation Right, Stock Unit, or Other Stock-based Award granted in accordance with the terms of the respective Plan. During the 13 and 39 weeks ended September 28, 2024, the Company recognized \$1.2 million and \$1.5 million, respectively, in share-based compensation expense related to the 908,852 RSU's that were awarded and immediately vested, as well as 295,000 shares of the Company's common stock issued (see above).

The Company's 2016 Plan authorizes the granting of awards in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) restricted stock awards, and (iv) restricted stock units, and expires on the earlier of October 28, 2026, or the date that all shares reserved under the 2016 Plan are issued or no longer available. On November 4, 2020, the Company amended the 2016 Plan to increase the issuance of common shares from 400,000 to 800,000. The vesting period is determined by the Board of Directors at the time of the stock option grant. As of September 28, 2024 and December 30, 2023, 100,000 options were outstanding under the 2016 Plan.

The Company's 2011 Plan authorizes the granting of awards in any of the following forms: (i) stock options, (ii) stock appreciation rights, and (iii) other share-based awards, including but not limited to, restricted stock, restricted stock units or performance shares, and expired on the earlier of May 12, 2021, or the date that all shares reserved under the 2011 Plan are issued or no longer available. As of September 28, 2024 and December 30, 2023, 8,000 were outstanding under the 2011 Plan. No additional awards will be granted under the 2011 Plan.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. There were no stock options granted during the 13 and 39 weeks ended September 28, 2024.

Additional information relating to all outstanding options is as follows:

	Options Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life
Outstanding at December 30, 2023	114,000	\$ 5.68	\$ —	6.1
Outstanding at March 30, 2024	114,000	\$ 5.68	\$ 11	5.9
Cancelled/expired	(6,000)	\$ 17.35		
Outstanding at June 29, 2024	108,000	\$ 5.03	\$ 7	6.0
Balance at September 28, 2024	108,000	\$ 5.03	\$ —	5.7
Exercisable at September 28, 2024	108,000	\$ 5.03	\$ —	5.7

The Company recognized approximately \$0 and \$1,000 of share-based compensation expense for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and approximately \$1.5 million and \$14,000 of share-based compensation expense for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

As of September 28, 2024, the Company had no unrecognized share-based compensation expense associated with equity awards.

Series A-1 Preferred Stock

170,250 shares were converted during the 39 weeks ended September 28, 2024. As of September 28, 2024 and December 30, 2023, respectively, there were 23,480 and 193,730 shares of Series A-1 Preferred Stock outstanding.

Series S Preferred Stock

On December 28, 2022 the Company acquired Soin Therapeutics by way of merger. In connection with this transaction, with a potential value of up to \$ 30.0 million, the Company tendered 100,000 shares of the Company's Series S Convertible Preferred Stock. Shares of Series S Convertible Preferred Stock are convertible into the Company's common shares at a ratio of 1:1. As of September 28, 2024 and December 30, 2023, there were 100,000 shares of Series S Convertible Preferred Stock outstanding.

**Note 18: Mezzanine Equity**

Series S Preferred Stock

During the 39 weeks ended September 28, 2024, the Company reclassified approximately \$ 2.7 million from mezzanine equity to current liabilities, and approximately \$8.0 million from mezzanine equity to permanent equity (see Note 3). Consequently, as of September 28, 2024, the outstanding balance in mezzanine equity was approximately \$3.9 million.

**Note 19: Earnings Per Share**

Net income (loss) per share is calculated using the weighted average number of shares of common stock outstanding during the applicable period. Basic weighted average common shares outstanding do not include shares of restricted stock that have not yet vested, although such shares are included as outstanding shares in the Company's Consolidated Balance Sheet. Diluted net income (loss) per share is computed using the weighted average number of common shares outstanding and if dilutive, potential common shares outstanding during the period. Potential common shares consist of the additional common shares issuable in respect of restricted share awards, stock options and convertible preferred stock.

The following table presents the computation of basic and diluted net income (loss) per share (in \$000's, except share and per-share data):

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
<b>Continuing Operations</b>				
<i>Basic</i>				
Net loss from continuing operations	\$ (822)	\$ (242)	\$ (2,377)	\$ (825)
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Basic loss per share from continuing operations	\$ (0.06)	\$ (0.06)	\$ (0.24)	\$ (0.22)
<i>Diluted</i>				
Net loss from continuing operations	\$ (822)	\$ (242)	\$ (2,377)	\$ (825)
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Diluted loss per share from continuing operations	\$ (0.06)	\$ (0.06)	\$ (0.24)	\$ (0.22)
<b>Discontinued Operations</b>				
<i>Basic</i>				
Net income from discontinued operations	\$ —	\$ 28	\$ —	\$ 10,818
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Basic income per share from discontinued operations	\$ —	\$ 0.01	\$ —	\$ 2.93
<i>Diluted</i>				
Net income from discontinued operations	\$ —	\$ 28	\$ —	\$ 10,818
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Diluted income per share from discontinued operations	\$ —	\$ 0.01	\$ —	\$ 2.93
<b>Total</b>				
<i>Basic</i>				
Net (loss) income	\$ (822)	\$ (214)	\$ (2,377)	\$ 9,993
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Basic (loss) income per share	\$ (0.06)	\$ (0.05)	\$ (0.24)	\$ 2.71
<i>Diluted</i>				
Net (loss) income	\$ (822)	\$ (214)	\$ (2,377)	\$ 9,993
Weighted average common shares outstanding	12,805,718	4,198,940	10,030,608	3,687,986
Diluted (loss) income per share	\$ (0.06)	\$ (0.05)	\$ (0.24)	\$ 2.71

Potentially dilutive securities totaling 108,000 and 114,000 were excluded from the calculation of diluted earnings per share for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively, because the effects were anti-dilutive based on the application of the treasury stock method. Additionally, 23,480 shares of Series A-1 Preferred Stock, convertible into 469,590 of the Company's common stock, and 100,000 shares of Series S Preferred Stock, convertible into 3.0 million shares of the Company's common stock (subject to certain contractual, event-based, and temporal limitations), were excluded from the calculation of diluted earnings per share as, by agreement, these shares could not be converted as of September 28, 2024.

**Note 20: Income Taxes**

The Company recorded an income tax benefit from continuing operations of approximately \$ 517,000 and \$25,000 for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and an income tax benefit from discontinued operations of \$0 and \$28,000 for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively. The Company recorded an income tax benefit from continuing operations of approximately \$3.4 million and \$269,000 for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively, and an income tax expense from discontinued operations of \$0 and \$3.2 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively. The Company's overall effective tax rate was 59.2% and 30.3% for the 39 weeks ended September 28, 2024 and September 30,

2023, respectively. The effective tax rates and related provisional tax amounts vary from the U.S. federal statutory rate primarily due to state taxes and the release of a valuation allowance in the United States.

**Note 21: Segment Information**

The Company operates within targeted markets through three reportable segments for continuing operations: Biotechnology, Fintech, and Recycling. The Biotechnology segment commenced operations in September 2019 and is focused on development of new and innovative solutions for ending the opioid epidemic ranging from digital technologies to educational advocacy. The Fintech segment commenced operations during May 2024 with the acquisition of ALT5 Subsidiary (see Note 3), which provides next generation blockchain-powered technologies to enable a migration to a new global financial paradigm. The Recycling segment includes all fees charged and costs incurred for collecting, recycling and installing appliances for utilities and other customers. The Recycling segment also includes byproduct revenue, which is primarily generated through the recycling of appliances. The nature of products, services and customers for each segment varies significantly. As such, the segments are managed separately. Our Chief Executive Officer has been identified as the Chief Operating Decision Maker ("CODM"). The CODM evaluates performance and allocates resources based on sales and income from operations of each segment. Operating loss represents revenues less cost of revenues and operating expenses, including certain allocated selling, general and administrative costs. There are no intersegment sales or transfers. Due the sale of Company's Recycling segment during March 2023, it is being presented as discontinued operations for the 13 and 39 weeks ended September 30, 2023.

The following tables present our segment information for the 13 and 39 weeks ended September 28, 2024 and September 30, 2023 (in \$000's):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
<b>Revenues</b>				
Biotechnology	\$ —	\$ —	\$ —	\$ —
Fintech	4,941	—	7,110	—
Discontinued operations	—	—	—	3,795
<b>Total Revenues</b>	<b>\$ 4,941</b>	<b>\$ —</b>	<b>\$ 7,110</b>	<b>\$ 3,795</b>
<b>Gross profit</b>				
Biotechnology	\$ —	\$ —	\$ —	\$ —
Fintech	2,361	—	3,459	—
Discontinued operations	—	—	—	(197)
<b>Total Gross profit</b>	<b>\$ 2,361</b>	<b>\$ —</b>	<b>\$ 3,459</b>	<b>\$ (197)</b>
<b>Operating income (loss)</b>				
Biotechnology	\$ (1,574)	\$ (764)	\$ (6,557)	\$ (2,923)
Fintech	353	—	614	—
Discontinued operations	—	—	—	14,158
<b>Total Operating income (loss)</b>	<b>\$ (1,221)</b>	<b>\$ (764)</b>	<b>\$ (5,943)</b>	<b>\$ 11,235</b>
<b>Depreciation and amortization</b>				
Biotechnology	\$ 438	\$ 363	\$ 1,604	\$ 1,090
Fintech	536	—	715	—
Discontinued operations	—	—	—	96
<b>Total Depreciation and amortization</b>	<b>\$ 974</b>	<b>\$ 363</b>	<b>\$ 2,319</b>	<b>\$ 1,186</b>
<b>Interest (income) expense, net</b>				
Biotechnology	\$ (363)	\$ (758)	\$ (272)	\$ (1,598)
Fintech	110	—	267	—
Discontinued operations	—	—	—	181
<b>Total Interest expense, net</b>	<b>\$ (253)</b>	<b>\$ (758)</b>	<b>\$ (5)</b>	<b>\$ (1,417)</b>
<b>Net income (loss) before income taxes</b>				
Biotechnology	\$ (1,897)	\$ (267)	\$ (7,228)	\$ (1,094)
Fintech	558	—	1,408	—
Discontinued operations	—	—	—	13,976
<b>Total Net income before income taxes</b>	<b>\$ (1,339)</b>	<b>\$ (267)</b>	<b>\$ (5,820)</b>	<b>\$ 12,882</b>

## Note 22: Related Parties

### Shared Services

Tony Isaac, the Company's President, is the father of Jon Isaac, President and Chief Executive Officer of Live Ventures and managing member of ICG. Tony Isaac and Richard Butler, Board of Directors members of the Company, are members of the Board of Directors of Live Ventures. The Company also shares certain executive, accounting and legal services with Live Ventures. The total services shared were approximately \$44,000 and \$28,000 for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$145,000 and \$121,000 for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively. Customer Connexx rented approximately 9,900 square feet of office space from Live Ventures in Las Vegas, Nevada. Effective August 2023, due to the winding down of operations of the Recycling Subsidiaries, the Company ceased leasing office space in the Las Vegas, Nevada facility. The total rent and common area expense was approximately \$4,000 and \$0 for the 13 weeks ended September 28, 2024 and September 30, 2023,

respectively, and approximately \$13,000 and \$103,000 for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

#### **Notes with Live Ventures and ICG**

On February 7, 2024, the Company entered into a promissory notes with each of Live Ventures and ICG. The initial principal amount of each note is \$300,000, with an interest rate of 10% per annum. Pursuant to an amendment to each note, \$ 100,000 of principal, and accrued interest thereon, is due on September 7, 2024 for each note, and the balance of each note is due on December 31, 2024. At the Company's option, the obligation under each note is convertible after the six-month anniversary thereof at a per-share conversion price of \$0.61, subject to standard adjustments for (i) stock dividends and splits, (ii) subsequent rights offerings, and (iii) pro rata distributions. The Company's board of directors approved the issuance of the two notes on February 7, 2024. As of September 28, 2024, the principal balances outstanding on each of the promissory notes was \$319,000.

#### **Isaac Consulting Agreement**

On March 4, 2024, the Company entered into a two-year Consulting Agreement with Jon Isaac, pursuant to which he will provide to the Company (the "Services"): (i) strategic financial advice, including growth strategies, capital allocation, and financial restructuring; (ii) sales and business development advice, including for the acquisition of new clients and new products through networking, referrals, and marketing efforts for our prospective products; (iii) in-depth research and market intelligence on specific industries, sectors, and market trends; (iv) financial models and financial analysis to support strategic decision-making; (v) assistance, through site visits, in the preparation of new client offers and bids for proposed projects; (vi) weekly update calls with management to align on progress of objectives and goals; (vii) enhanced non-confidential materials; (viii) business risk management support; and (ix) other services to which the Company and he may agree that will be memorialized in writing if, when, and as needed during the two-year term.

As compensation for the Services, the Company (i) assigned to him two universal life insurance policies that relate to the life of one of the founders of our now-disposed legacy recycling business (as of March 4, 2024, the first policy had an accumulated value/surrender value of approximately \$3,854 and the second had an accumulated value/surrender value of approximately \$468); (ii) agreed to tender to him funds in our Canadian counsel's trust account in the event that the prospective Order of the Court of Appeal for Ontario Canada in the matter styled, *Amtim Capital Inc. and Appliance Recycling Centers of America*, Case No. COA-23-CV-0156, became the final Order of the Court, which amount we received during the reporting period and tendered to Mr. Isaac \$220,000; (iii) issued to him 200,000 restricted shares of our common stock with the per-share value being the average of the Nasdaq Historical NOCP closing price during the five trading days prior to our board approving the Consulting Agreement, which shares were awarded from our 2023 Equity Incentive Plan; and (iv) issued to him a two-year, straight 10% convertible promissory note in the initial principal amount of \$ 500,000, with an interest rate of 10.0% and a per-share conversion price equivalent to the per-share value of the restricted common stock that he was granted (\$1.16). The maturity date of the promissory note is March 4, 2026. The value of the restricted shares was \$232,000 on the date issued. As of September 28, 2024, the principal balance outstanding on the promissory note was \$529,000.

#### **Short-Term Advances**

On April 18, 2024, ICG made a short-term demand advance to the Company in the amount of \$ 100,000. The advance bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the principal amount outstanding was \$50,000.

On May 28, 2024 and June 3, 2024, Novalk made short-term demand advances in the amount of \$ 120,000 and \$100,000, respectively, to the Company. Juan Yunis, an employee of Live Ventures, is the managing member of Novalk. The advances bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the principal amount outstanding was \$110,000.

During June 3, 2024, Tony Isaac made a number of short-term demand advances in the aggregate amount of \$ 62,000 to the Company. The advances bears interest at a rate of 10% per annum until repaid. As of September 28, 2024, the Company had repaid the advance in full (see Note 22).

#### **Note 23: Subsequent event**

On November 8, 2024, the Company entered into an agreement with a vendor of services to its Canadian subsidiary, pursuant to which the Company acquired certain assets of the vendor that the subsidiary has been using, which assets consist of the vendor's cryptocurrency exchange software, related mobile apps (certain of which are currently deployed and

the remainder are in development), a “futures trading module” that is approximately 50% developed, and all related source code, documentation, data, and bug repositories, as well as all of the trademarks of the vendor.

In consideration of the purchase of the assets, the Company issued to the selling vendor seven hundred seventy-one thousand ten ( 771,010) shares of its Series Q Convertible Preferred Stock, which is convertible on a one-for-one basis into shares of the Company’s common stock. The shares are convertible ratably during the eight quarters following the closing of the acquisition. In the event that the sole owner of the selling vendor fails or refuses to perform and provide, timely and competently, in any material respect, the transition services required by the Company in connection with the acquisition, the Company may cancel any then-unconverted shares of Preferred Stock.

The Company also entered into two-year consulting agreements with two of the selling entities’ consultants. One consultant will be issued one hundred fifty-four thousand two hundred two (154,202) shares of Series Q Convertible Preferred Stock and receive a monthly consulting fee of \$ 10,000 and the other consultant will receive a monthly consulting fee of \$9,000. The conversion features of the preferred stock and the payment of the consulting fees are subject to cancellation provisions equivalent to the cancellation provisions of the unconverted preferred stock that was issued to the selling vendor.

Due to the timing of the asset acquisition, the accounting for this business combination is incomplete. As a result, it is impracticable for the Company to disclose substantially all required disclosures of Accounting Standards Codification 805, Business Combinations, for this acquisition.

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q and determined that, other than as disclosed above, there have been no events that have occurred that would require adjustments to disclosures in its condensed consolidated financial statements.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Dollars stated in thousands, except per-share amounts.

### Forward-Looking and Cautionary Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve risks and uncertainties. You can identify forward-looking statements because they contain words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates" or "anticipates" or similar expressions that concern our strategy, plans or intentions. Any statements we make relating to our future operations, performance and results, and anticipated liquidity are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those we expected. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. Important factors that could cause actual results to differ materially from our expectations, including, without limitation, in conjunction with the forward-looking statements included in this Form 10-Q, are disclosed in "Item 1-Business, Item 1A – Risk Factors" of our Form 10-K and Part II, Item 1A of this Form 10-Q.

We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law. Our MD&A should be read in conjunction with our Form 10-K (including the information presented therein under the caption *Risk Factors*), together with our Quarterly Reports on Forms 10-Q and other publicly available information. All amounts herein are unaudited.

### Overview

Through our Biotechnology segment, we are focused on finding treatments for conditions that cause chronic pain and bringing to market drugs with non-addictive and non-sedative pain-relieving properties and, through our Fintech segment, we provide next generation blockchain-powered technologies to enable a migration to a new global financial paradigm. In addition, through our sale of subsidiaries ARCA Recycling, Connexx, ARCA Canada and, GeoTraq Inc., we have exited these legacy businesses; Consequently, the results for these businesses are reported as discontinued operations for the 13 and 39 weeks ended September 28, 2024 and September 30, 2023.

During the periods disclosed in this Quarterly Report, we operated two reportable segments:

- **Biotechnology:** Our Biotechnology segment is focused on finding treatments for conditions that cause chronic pain and bringing to market drugs with non-addictive and non-sedating pain-relieving properties.
- **Fintech:** Our Fintech segment provides next generation blockchain-powered technologies for tokenization, trading, clearing, settlement, payment, and safe-keeping of digital assets.

**For the Thirteen Weeks Ended September 28, 2024 and September 30, 2023**

**Results of Operations**

The following table sets forth certain statement of operations items for the periods indicated (in \$000's):

	13 Weeks Ended	
	September 28, 2024	September 30, 2023
<b>Select Data:</b>		
Revenue	\$ 4,941	\$ —
Cost of revenue	2,580	—
Selling, general and administrative expenses	3,582	764
Interest income, net	253	758
Net income (loss) before provision of income taxes	(1,339)	(267)
Income tax benefit	(517)	(25)
Net income (loss) from continuing operations	(822)	(242)
Income tax benefit from discontinued operations	—	(28)
Net income from discontinued operations	—	28
Net income	\$ (822)	\$ (214)

The following tables set forth revenues for key product and service categories, percentages of total revenue and gross profits earned by key product and service categories and gross profit percent as compared to revenues for each key product category indicated (in \$000's):

	13 Weeks Ended		13 Weeks Ended	
	September 28, 2024		September 30, 2023	
	Net Revenue	Percent of Total	Net Revenue	Percent of Total
<b>Revenue</b>				
Biotechnology	\$ —	— %	\$ —	— %
Fintech	4,941	100.0 %	—	— %
Total revenue	\$ 4,941	100.0 %	\$ —	— %

	13 Weeks Ended		13 Weeks Ended	
	September 28, 2024		September 30, 2023	
	Gross Profit	Gross Profit Percentage	Gross Profit	Gross Profit Percentage
<b>Gross Profit</b>				
Biotechnology	\$ —	— %	\$ —	— %
Fintech	2,361	47.8 %	—	— %
Total gross profit	\$ 2,361	47.8 %	\$ —	— %

**Revenue**

Revenue increased by approximately \$4.9 million for the 13 weeks ended September 28, 2024, as compared to the 13 weeks ended September 30, 2023. The increase is due to the acquisition of ALT5 Subsidiary during May 2024.

**Cost of Revenue**

Cost of revenue increased by approximately \$2.6 million for the 13 weeks ended September 28, 2024, as compared to the 13 weeks ended September 30, 2023. The increase is due to the acquisition of ALT5 Subsidiary during May 2024.

### Selling, General and Administrative Expense

Selling, general and administrative expenses increased by approximately \$2.8 million for the 13 weeks ended September 28, 2024, as compared to the 13 weeks ended September 30, 2023, primarily due to the acquisition of ALT5 Subsidiary during May 2024, as well as the allowance recorded against the SPYR receivable (see Note 5). This increase relates only to continuing operations.

### Interest Income, net

Interest income, net decreased by approximately \$500,000 for the 13 weeks ended September 28, 2024, as compared to the 13 weeks ended September 30, 2023 primarily due to no longer accreting the discounts in connection with the promissory note with SPYR and the receivable from VM7, as well as the acquisition of ALT5 Subsidiary during May 2024.

### Segment Performance

We report our business in the following segments: Biotechnology, Fintech, and discontinued operations. We expect revenues and profits for our Biotechnology segment to be driven by the development of pharmaceuticals that treat the root cause of pain but are non-opioid painkillers, and revenues and profits for our Fintech segment to be driven by operations resulting from our recent acquisition of ALT5 Subsidiary, as discussed above. We include Corporate expenses within the Biotechnology segment. As discussed above, we sold our Recycling segment in March 2023, and detail its results as discontinued operations below.

Operating loss by operating segment, is defined as loss before net interest expense, other income and expense, provision for income taxes (\$000's).

	13 Weeks Ended September 28, 2024			13 Weeks Ended September 30, 2023		
	Biotechnology	Fintech	Total	Biotechnology	Fintech	Total
Revenue	\$ —	\$ 4,941	\$ 4,941	\$ —		\$ —
Cost of revenue	—	2,580	2,580	—		—
Gross profit	—	2,361	2,361	—		—
Selling, general and administrative expense	1,574	2,008	3,582	764	—	764
Operating (loss) income	\$ (1,574)	\$ 353	\$ (1,221)	\$ (764)	\$ —	\$ (764)

### Biotechnology Segment

Our biotechnology segment incurred expenses of approximately \$1.6 million and \$764,000 related to employee costs and professional services related to research, and corporate services, as well as amortization of the Soin intangibles for the 13 weeks ended September 28, 2024 and the 13 weeks ended September 30, 2023, respectively.

### Fintech Segment

Our fintech segment, which includes ALT5 Subsidiary, which was acquired during May 2024. Revenue for the 13 weeks ended September 28, 2024, was approximately \$4.9 million, while cost of revenue was approximately \$2.6 million. Operating income for the 13 weeks ended September 28, 2024 was approximately \$353,000. On November 8, 2024, we entered into an agreement with a vendor of services to ALT5 Subsidiary, pursuant to which we acquired certain assets of the vendor that ALT5 Subsidiary has been using. A detailed description of the transaction is included in Note 23, Subsequent event, to the Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q.

### For the Twenty-Six Weeks Ended September 28, 2024 and September 30, 2023

#### Results of Operations

The following table sets forth certain statement of operations items for the periods indicated (in \$000's):

	39 Weeks Ended	
	September 28, 2024	September 30, 2023
<b>Selected Data:</b>		
Revenue	\$ 7,110	\$ —
Cost of revenue	3,651	—
Selling, general and administrative expenses	9,402	2,923
Interest (expense) income, net	5	1,598
Net loss before provision of income taxes	(5,820)	(1,094)
Income tax benefit	(3,443)	(269)
Net loss from continuing operations	(2,377)	(825)
Income from discontinued operations	—	13,976
Income tax provision for discontinued operations	—	3,158
Net income from discontinued operations	—	10,818
Net (loss) income	\$ (2,377)	\$ 9,993

The following tables set forth revenues for key product and service categories, percentages of total revenue and gross profits earned by key product and service categories and gross profit percent as compared to revenues for each key product category indicated (in \$000's):

	39 Weeks Ended		39 Weeks Ended	
	September 28, 2024		September 30, 2023	
	Net Revenue	Percent of Total	Net Revenue	Percent of Total
<b>Revenue</b>				
Biotechnology	\$ —	— %	\$ —	— %
Fintech	7,110	100.0 %	—	— %
Revenue from discontinued operations	—	— %	3,795	100.0 %
Total revenue	\$ 7,110	100.0 %	\$ 3,795	100.0 %

	39 Weeks Ended		39 Weeks Ended	
	September 28, 2024		September 30, 2023	
	Gross Profit	Gross Profit Percentage	Gross Profit	Gross Profit Percentage
<b>Gross Profit</b>				
Biotechnology	\$ —	— %	\$ —	— %
Fintech	3,459	48.6 %	—	— %
Gross profit from discontinued operations	—	— %	(197)	-5.2 %
Total gross profit	\$ 3,459	48.6 %	\$ (197)	-5.2 %

#### Revenue

Revenue increased by approximately \$3.3 million for the 39 weeks ended September 28, 2024, as compared to the 39 weeks ended September 30, 2023. The increase is due to the acquisition of ALT5 Subsidiary during May 2024, partially offset by no revenue from discontinued operations during the 39 weeks ended September 28, 2024.

#### Cost of Revenue

Cost of revenue decreased by approximately \$341,000 for the 39 weeks ended September 28, 2024, as compared to the 39 weeks ended September 30, 2023. The decrease is due to no cost of revenue from discontinued operations, partially offset by the acquisition of ALT5 Subsidiary during May 2024. Gross profit percentage for ALT5 Subsidiary was 48.6% for the 39 weeks ended September 28, 2024.

## Selling, General and Administrative Expense

Selling, general and administrative expenses increased by approximately \$5.0 million for the 39 weeks ended September 28, 2024, as compared to the 39 weeks ended September 30, 2023, primarily due to the acquisition of ALT5 Subsidiary during May 2024, stock-based compensation expense recognized due to the grants of RSU's and the Company's common stock (see Note 17), as well as amortization costs relating to the Soin intangibles. This increase relates only to continuing operations.

## Interest Income, net

Interest expense, net decreased by approximately \$1.6 million for the 39 weeks ended September 28, 2024, as compared to the 39 weeks ended September 30, 2023 primarily due to no longer accreting the discounts in connection with the promissory note with SPYR and the receivable from VM7, as well as the acquisition of ALT5 Subsidiary during May 2024.

## Segment Performance

We report our business in the following segments: Biotechnology, Fintech, and discontinued operations. We expect revenues and profits for our Biotechnology segment to be driven by the development of pharmaceuticals that treat the root cause of pain but are non-opioid painkillers, and revenues and profits for our Fintech segment to be driven by operations resulting from our recent acquisition of ALT5 Subsidiary, as discussed above. We include Corporate expenses within the Biotechnology segment. As discussed above, we sold our Recycling segment in March 2023, and detail its results as discontinued operations below.

Operating loss by operating segment, is defined as loss before net interest expense, other income and expense, provision for income taxes (\$000's).

	39 Weeks Ended September 28, 2024				39 Weeks Ended September 30, 2023			
	Biotechnology		Discontinued Operations		Biotechnology		Discontinued Operations	
				Total				Total
Revenue	\$ —	\$ 7,110	\$ —	\$ 7,110	\$ —	\$ 3,795	\$ —	\$ 3,795
Cost of revenue	—	3,651	—	3,651	—	3,992	—	3,992
Gross profit	—	3,459	—	3,459	—	—	(197)	(197)
Selling, general and administrative expense	6,557	2,845	—	9,402	2,923	—	1,468	4,391
Gain on sale of ARCA	—	—	—	—	—	—	(15,824)	(15,824)
Operating (loss) income	\$ (6,557)	\$ 614	\$ —	\$ (5,943)	\$ (2,923)	\$ —	\$ 14,159	\$ 11,236

## Liquidity and Capital Resources

### Overview

As of September 28, 2024, our cash on hand was approximately \$8.7 million. We intend to raise funds to support future development of JAN 123 either through capital raises or structured arrangements.

Our ability to continue as a going concern is dependent upon the success of future capital raises or structured settlements and cash flows from the acquisition of ALT5 Subsidiary to fund the required testing to obtain FDA approval of JAN 123, as well as to fund our day-to-day operations. The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. While we will actively pursue these additional sources of financing, management cannot make any assurances that such financing will be secured.

### Cash Flows

During the 39 weeks ended September 28, 2024, cash provided by operations was approximately \$3.7 million, compared to cash provided by operations of approximately \$1.9 million during the 39 weeks ended September 30, 2023. Cash provided by discontinued operations during the 39 weeks ended September 30, 2023 was approximately \$2.3 million, while cash used in continuing operations was approximately \$448,000. The decrease in cash was primarily due to results of operations as discussed above.

Cash provided by investing activities was approximately \$5.9 million for the 39 weeks ended September 28, 2024, compared to cash used in investing activities of \$156,000 for the 39 weeks ended September 30, 2023. Cash provided by investing activities for the 39 weeks ended September 28, 2024 was related to cash acquired in the acquisition of ALT5 Subsidiary, while cash used in investing activities for the 39 weeks ended September 30, 2023 was all associated with discontinued operations and was related to purchases of property and equipment.

Cash provided by financing activities was \$2.1 million for the 39 weeks ended September 28, 2024, and relates to proceeds received from warrants converted to our common stock and proceeds received from related parties, partially offset by payments on notes payable, and payment on related party notes payable. Cash used in financing activities was approximately \$1.4 million for the 39 weeks ended September 30, 2023. Cash used in financing activities from discontinued operations for the 39 weeks ended September 30, 2023 was approximately \$2.2 million and was primarily due to the repayment of debt obligations. Cash provided financing activities from continued operations for the 39 weeks ended September 30, 2023 was approximately \$777,000 and was \$792,000 in proceeds from equity financing and \$259,000 from warrants issued, partially offset by \$274,000 in debt repayments.

#### *Sources of Liquidity*

We continue to face a challenging competitive environment as we continue to focus on raising capital and managing expenses. We reported a net loss of approximately \$2.4 million from continuing operations in for the 39 weeks ended September 28, 2024, and a net loss from continuing operations of approximately \$825,000 for the 39 weeks ended September 30, 2023 primarily due to increased amortization expense of the Soin intangible and stock-based compensation expense of \$1.5 million. Additionally, the Company has total current assets of approximately \$31.9 million and total current liabilities of approximately \$42.3 million resulting in a net negative working capital of approximately \$10.4 million. Cash used in continuing operations was approximately \$3.7 million.

#### *Future Sources of Cash; Phase 2b Trials, New Acquisitions, Products, and Services*

We may require additional debt financing and/or capital to finance new acquisitions, conduct our Phase IIb clinical trials, or consummate other strategic investments in our business. No assurance can be given any financing obtained may not further dilute or otherwise impair the ownership interest of our existing stockholders. We acquired ALT5 Subsidiary during May 2024, as discussed above.

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

#### **Market Risk and Impact of Inflation**

Interest Rate Risk. We do not believe there is any significant risk related to interest rate fluctuations on our short and long-term fixed rate debt.

We do not hold any derivative financial instruments, nor do we hold any securities for trading or speculative purposes.

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

#### ***Evaluation of Disclosure Controls and Procedures***

Evaluation of Disclosure control and Procedures. 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 our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of September 28, 2024, the period covered in this report, our disclosure controls and procedures were not effective because of the material weaknesses discussed below.

In light of the conclusion that our internal disclosure controls are ineffective as of September 28, 2024, we have applied procedures and processes as necessary to ensure the reliability of our financial reporting in regard to this Quarterly Report. Accordingly, the Company believes, based on its knowledge, that: (i) this Quarterly Report does not contain any untrue

statement of a material fact or omit a material fact; and (ii) the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects our financial condition, results of operations and cash flows as of and for the periods presented in this Quarterly Report.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of September 28, 2024. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013 regarding Internal Control – Integrated Framework. Based on our assessment using those criteria, our management concluded that our internal control over financial reporting was not effective as of September 28, 2024.

Management noted material weaknesses in internal control when conducting their evaluation of internal control as of September 28, 2024. (1) Insufficient written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act; and (2) Insufficient resources to maintain adequate segregation of duties and maintain its internal control environment.

These material weaknesses remained outstanding as of the filing date of this Form 10-Q and management is currently working to remedy these outstanding material weaknesses.

The Company's management, including the Company's CEO and CFO, do not expect that the Company's disclosure controls and procedures or the Company's internal control over financial reporting will prevent or detect all error and all fraud. A control system, regardless of how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following: judgements in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes, controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. 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, have been detected.

Changes in Internal Control Over Financial Reporting. There were no changes in the Company's internal control over financial reporting during the fiscal year ended September 28, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. Other Information**

**Item 1. Legal Proceedings**

The information in response to this item is included in Note 16, Commitments and Contingencies, to the Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q.

**Item 1A. Risk Factors**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

**Item 2. Unregistered Sales of Equity Securities and Use of funds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

**Index to Exhibits**

Exhibit Number	Exhibit Description	Form	File Number	Exhibit Number	Filing Date
3.19	<a href="#">Articles of Incorporation of ALT5 Sigma Corporation (the Name Change Subsidiary), filed with the Secretary of State for the State of Nevada on July 10, 2024.</a>	8-K	0-19621	3.19	7/17/2024
3.20	<a href="#">Articles of Merger for ALT5 Sigma Corporation with and into JanOne Inc., filed with the Secretary of State for the State of Nevada on July 11, 2024, and effective on July 15, 2024.</a>	8-K	0-19621	3.20	7/17/2024
3.21	* <a href="#">Certificate of Designation of the Rights, Preferences, and Limitations of Series Q Convertible Preferred Stock, filed with the Secretary of State of the State of Nevada on November 8, 2024.</a>				
10.110	<a href="#">Form of Unit Purchase Agreement for the "Big Debenture" and "Big Warrant," dated August 20, 2024.</a>	8-K	0-19621	10.110	8/23/2024
10.111	<a href="#">Form of Non-Convertible Debenture for the "Big Debenture," dated August 20, 2024.</a>	8-K	0-19621	10.111	8/23/2024

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10.112		<a href="#">Form of Common Stock Purchase Warrant for the “Big Warrant,” dated August 20, 2024.</a>	8-K	0-19621	10.112	8/23/2024
10.113		<a href="#">Form of Unit Purchase Agreement for the “Small Debenture” and “Small Warrant,” dated August 20, 2024.</a>	8-K	0-19621	10.113	8/23/2024
10.114		<a href="#">Form of Non-Convertible Debenture for the “Small Debenture”, dated August 20, 2024.</a>	8-K	0-19621	10.114	8/23/2024
10.115		<a href="#">Form of Common Stock Purchase Warrant for the “Small Warrant,” dated August 20, 2024.</a>	8-K	0-19621	10.115	8/23/2024
10.116		<a href="#">Employment Agreement, dated August 26, 2024.</a>	8-K	0-19621	10.116	8/30/2024
10.117	*	<a href="#">Form of Asset Purchase and Sale Agreement, dated November 8, 2024.</a>				
31.1	*	<a href="#">Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
31.2	*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
32.1	*	<a href="#">Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
32.2	*	<a href="#">Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				
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 in Inline XBRL and contained in Exhibit 101)				

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\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on our behalf by the undersigned, thereunto duly authorized.

ALT5 Sigma Corporation  
(Registrant)

Date: November 12, 2024

By: /s/ Tony Isaac  
Tony Isaac  
Chief Executive Officer  
*(Principal Executive Officer)*

Date: November 12, 2024

By: /s/ Virland A. Johnson  
Virland A. Johnson  
Chief Financial Officer  
*(Principal Financial and Accounting Officer)*

**CERTIFICATE OF DESIGNATION OF RIGHTS, PRIVILEGES, PREFERENCES,  
AND RESTRICTIONS  
OF  
SERIES Q CONVERTIBLE PREFERRED STOCK**

The undersigned, Tony Isaac, does hereby certify that:

1. He is the President of ALT5 Sigma Corporation, a Nevada corporation (the Corporation).
2. The Corporation is authorized to issue up to 2,000,000 shares of preferred stock, \$0.001 par value per share.
3. The following resolutions were duly adopted by the board of directors of the Corporation (the Board of Directors):

WHEREAS, the Articles of Incorporation of the Corporation provides for a class of its authorized stock known as preferred stock, consisting of up to 2,000,000, \$0.001 par value per share, issuable from time to time in one or more series;

WHEREAS, the Board of Directors is authorized to set the rights, privileges, preferences, and restrictions of any unissued series of preferred stock, the number of shares constituting any such series, and the designation thereof; and

WHEREAS, it is the desire of the Board of Directors, pursuant to its authority as aforesaid, to set the rights, privileges, preferences, and restrictions relating to a series of preferred stock, to be designated as "Series Q", as follows:

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby provide for the issuance and sale of a series of preferred stock for cash or exchange of other securities, rights, or property or items of value to the Corporation and does hereby set and determine the rights, privileges, preferences, and restrictions of such series of preferred stock as follows:

**TERMS OF PREFERRED STOCK**

Section 1. Definitions. For the purposes hereof, the following terms shall have the following meanings:

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 144(a)(1) of Regulation D, promulgated by the Commission under the Securities Act.

"Beneficial Ownership Limitation" shall have the meaning set forth in Section 6(d).

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of Nevada are authorized or required by law or other governmental action to close.

“Closing” means the closing of the purchase and sale of the Preferred Stock.

“Closing Date” means the date on which the Closing occurs.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the Corporation's common stock, par value \$0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Corporation or the Subsidiaries that would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants, or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Conversion Date” shall have the meaning set forth in Section 6(a).

“Conversion Ratio” shall have the meaning set forth in Section 6(b).

“Conversion Stock” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Preferred Stock in accordance with the terms hereof.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“GAAP” means United States generally accepted accounting principles.

“Holder” shall have the meaning given such term in Section 2.

“Liens” means a lien, charge, security interest, encumbrance, right of first refusal, preemptive right, or other restriction.

“Liquidation” shall have the meaning set forth in Section 5.

“Nevada Courts” shall have the meaning set forth in Section 8(d).

“Notice of Conversion” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of any shares of the Preferred Stock regardless of the number of transfers of any particular shares of Preferred Stock and regardless of the number of certificates that may be issued to evidence such Preferred Stock.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Preferred Stock” shall have the meaning set forth in Section 2.

“Purchase Agreement” means the Asset Purchase Agreement between the Corporation and Qoden Technologies LLC, a Nevada limited liability company, dated November 8, 2024.

“Securities” means the shares of Preferred Stock and the shares of Underlying Stock.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Share Delivery Date” shall have the meaning set forth in Section 6(c).

3. “Stated Value” shall have the meaning set forth in Section 2, as the same may be increased pursuant to Section

“Subsidiary” means any subsidiary of the Corporation in existence as of the effective date of the Purchase Agreement and shall, where applicable, also include any direct or indirect subsidiary of the Corporation formed or acquired after the date of the Purchase Agreement.

“Trading Day” means a day on which the principal Trading Market is open for business.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the NYSE American, the OTCQB<sup>®</sup> Venture Market, or the OTCQX<sup>®</sup> Best Market (or any successors to any of the foregoing).

“Transaction Documents” means this Certificate of Designation, the Purchase Agreement, and all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated pursuant to the Purchase Agreement.

“Transfer Agent” means EQ by Equiniti, and any successor transfer agent of the Corporation.

“Underlying Stock” means the shares of Common Stock issued and issuable upon conversion of the Preferred Stock.

Section 2. Designation, Amount and Par Value. The series of preferred stock shall be designated as Series Q Convertible Preferred Stock (the “Preferred Stock”) and the number of shares so designated shall be one million (1,000,000) (which shall not be subject to increase without the written consent of the Board of Directors and all of the holders of the Preferred Stock (each, a “Holder” and, collectively, the “Holders”). Each share of Preferred Stock shall have a par value of \$0.001 and shall have a stated value equal to US\$2.594, subject to increase set forth in Section 7, below (the “Stated Value”).

Section 3. Dividends. Following the Original Issue Date, the holders of the Series Q Convertible Preferred Stock shall not be entitled to receive any dividends.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by law, the Preferred Stock shall not have any voting rights.

Section 5. Liquidation.

Upon the occurrence of any liquidation, dissolution, or winding up of the Corporation, either voluntary or involuntary (a "Liquidation"), each holder of Series Q Convertible Preferred Stock then outstanding shall be automatically converted into shares of Common Stock. For purposes of this Section 5, a merger or consolidation involving the Corporation or sale of all or substantially all of the Corporation's assets shall not be deemed a Liquidation nor shall any distribution of one or more business segments of the Corporation or any of its Subsidiaries, no matter how structured.

Section 6. Conversion.

a ) Conversions at Option of Holder. Each share of Preferred Stock shall be convertible at any time and from time to time from and after the Original Issue Date at the option of the Holder thereof, into one share of Common Stock (subject to the limitations set forth herein below and in Sections 6(d), 6(e), and 6(f)). Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (a "Notice of Conversion"). Each Notice of Conversion shall specify the number of shares of Preferred Stock to be converted, the number of shares of Preferred Stock owned prior to the conversion at issue, the number of shares of Preferred Stock owned subsequent to the conversion at issue, and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers such Notice of Conversion to the Corporation (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Corporation is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion form be required. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. To effect a conversion of shares of Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Preferred Stock to the Corporation unless all of the shares of Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Preferred Stock promptly following the Conversion Date at issue. Shares of Preferred Stock converted into Common Stock or redeemed in accordance with the terms hereof shall be canceled and shall not be reissued or reissuable. Notwithstanding anything to the contrary contained herein, no Holder of shares of Preferred Stock may convert any more than twelve-and-one-half percent (12.5%) of the shares of Preferred Stock originally issued to such Holder or his/her/its predecessor (back to the original issuance of such shares) on a trailing quarterly basis (each quarter based upon the Effective Date of the Purchase Agreement) over the course of two years; provided, however, that such Holder may not assign, transfer, hypothecate, lien, or otherwise obtain any economic value for any shares of his/her/its Preferred Stock that have not been converted into shares of Common Stock in

accordance with the provisions hereof; provided, however further, that the Holder thereof agrees, acknowledges, and understands that his/her/its shares of Preferred Stock are subject to cancellation in accordance with the terms of the Purchase Agreement or other agreements referenced therein.

b ) Conversion Ratio. The conversion ratio per share for the Preferred Stock shall be one share of Common Stock for each share of Preferred Stock, subject to adjustment as set forth in Section 7(a), below (the "Conversion Ratio").

c) Mechanics of Conversion.

i . Delivery of Shares of Conversion Stock Upon Conversion Not later than two (2) Trading Days after each Conversion Date (the "Share Delivery Date"), the Corporation shall deliver, or cause to be delivered, to the converting Holder the number of shares of Conversion Stock being acquired upon the conversion of the Preferred Stock, which, on or after the six (6)-month anniversary of the Effective Date of the Purchase Agreement, shall be free of restrictive legends and trading restrictions (other than those that may then be required by the Purchase Agreement).

ii. Failure to Deliver Shares of Conversion Stock If, in the case of any Notice of Conversion, such shares of Conversion Stock are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Corporation at any time on or before its receipt of such shares of Conversion Stock, to rescind such Conversion, in which event the Corporation shall promptly return to the Holder any original Preferred Stock certificate delivered to the Corporation and the Holder shall promptly return to the Corporation the shares of Conversion Stock issued to such Holder pursuant to the rescinded Notice of Conversion.

iii. Obligation Absolute. Subject to the other provisions contained herein, the Corporation's obligation to issue and deliver the shares of Conversion Stock upon conversion of Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation, or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other person, and irrespective of any other circumstance that might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such shares of Conversion Stock; provided, however, that such delivery shall not operate as a waiver by the Corporation of any such action that the Corporation may have against such Holder. Subject to the other provisions contained herein, in the event a Holder shall elect to convert any or all of his/her/its shares of Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, agreement, or for any other reason, unless an injunction from a

court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Preferred Stock of such Holder shall have been sought and obtained.

iv. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Preferred Stock), not less than such aggregate number of shares of Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 7) upon the conversion of the then-outstanding shares of Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, and nonassessable.

v. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Preferred Stock. As to any fraction of a share to which the Holder would otherwise be entitled to be issued upon such conversion, the Corporation shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Ratio or round up to the next whole share of Common Stock.

vi. Transfer Taxes and Expenses. The issuance of shares of Conversion Stock on conversion of Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such shares of Conversion Stock, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such shares of Conversion Stock upon conversion in a name other than that of the Holders of such shares of Preferred Stock and the Corporation shall not be required to issue or deliver such shares of Conversion Stock unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid. The Corporation shall pay all Transfer Agent fees required for same-day processing of any Notice of Conversion and all fees to the Depository Trust Corporation (or another established clearing corporation performing similar functions) required for same-day electronic delivery, if available, of the shares of Conversion Stock.

d ) Beneficial Ownership Limitation. The Corporation shall not effect any conversion of shares of Preferred Stock, and a Holder shall not have the right to convert any shares of Preferred Stock, to the extent that, after giving effect to the conversion set forth on the applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any Persons acting as a group together with such Holder or any of such Holder's Affiliates (such Persons, "Attribution Parties")) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and

its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon conversion of the Preferred Stock with respect to which such determination is being made, but shall exclude the number of shares of Common Stock that are issuable upon (i) conversion of the remaining, unconverted shares of Preferred Stock beneficially owned by such Holder or any of its Affiliates or Attribution Parties and (ii) conversion of the unconverted portion of any other securities of the Corporation subject to a limitation on conversion analogous to the limitation contained herein (including, without limitation, the Preferred Stock) beneficially owned by such Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 6(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 6(d) applies, the determination of whether the Preferred Stock is convertible (in relation to other securities owned by such Holder together with any Affiliates and Attribution Parties) and of how many shares of Preferred Stock are convertible shall be in the sole discretion of such Holder, and the submission of a Notice of Conversion shall be deemed to be such Holder's determination of whether the shares of Preferred Stock may be converted (in relation to other securities owned by such Holder together with any Affiliates and Attribution Parties) and how many shares of Preferred Stock are convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, each Holder will be deemed to represent to the Corporation each time it delivers a Notice of Conversion that the number of shares set forth on such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Corporation shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 6(d), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Corporation's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Corporation, or (iii) a more recent written notice by the Corporation or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Corporation shall within two Trading Days confirm orally and in writing to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Corporation, including the Preferred Stock, by such Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of Preferred Stock held by the applicable Holder. A Holder, upon notice to the Corporation, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 6(d) applicable to its Preferred Stock provided that the Beneficial Ownership Limitation in no event exceeds 19.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Preferred Stock held by the Holder and the provisions of this Section 6(d) shall continue to apply. Any such increase in the Beneficial Ownership Limitation will not be effective until the 61st

day after such notice is delivered to the Corporation and shall only apply to such Holder and no other Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 6(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of Preferred Stock.

e ) Exchange Cap. The Corporation shall not effect any conversion of the Preferred Stock, and a Holder shall not have the right to convert any portion of the Preferred Stock, to the extent that, after giving effect to the conversion set forth on the applicable Notice of Conversion, such Holder (together with the number of shares of Common Stock issued to the Holder pursuant to the Purchase Agreement) would exceed the aggregate number of shares of Common Stock which the Corporation may issue under the Purchase Agreement without breaching the Corporation's obligations under the rules or regulations of the Nasdaq Capital Market (the number of shares which may be issued without violating such rules and regulations, the "Exchange Cap"). For the avoidance of doubt, the maximum number of shares of Common Stock that may be issued is 1,000,000 (one million). No Holder shall be issued in the aggregate, upon conversion of the Preferred Stock, Common Stock in an amount greater than the product of the Exchange Cap multiplied by such Holder's pro rata share of Preferred Stock issued pursuant to the Purchase Agreement.

f) Time-based Conversion Limitations. Subject to adjustment as set forth in Section 7(a), the maximum number of shares of Preferred Stock that can be converted at any time are subject to the limitations set forth in Section 6(a). This limitation is in addition to any other limitations in 6(d) and 6(e).

#### Section 7. Certain Adjustments.

a ) Stock Dividends and Stock Splits. If the Corporation, at any time while shares of Preferred Stock are outstanding: (i) subdivides outstanding shares of Common Stock into a larger number of shares, (ii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iii) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Ratio shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination, or re-classification.

b ) Calculations. All calculations under this Section 7 shall be made to the nearest cent (in the event of a Liquidation pursuant to Section 5) or the nearest 1/100th of a share (in the event of an adjustment pursuant to Section 7(a)), as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and

outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

c) Notice to the Holders. Whenever the Conversion Ratio is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder by facsimile or email a notice setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

Section 8. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, deposited in the United States mail, certified or registered, postage prepaid, return receipt requested, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at the address set forth above, Attention: Chief Executive Officer, at such facsimile number or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section 8 from time to time. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, deposited in the United States mail, certified or registered, postage prepaid, return receipt requested, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the first Trading Day delivery is attempted or upon receipt, whichever is sooner.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages, if and as applicable, at the time, place, and rate, and in the coin or currency, herein prescribed.

c) Lost or Mutilated Preferred Stock Certificate. If a Holder's Preferred Stock certificate shall be mutilated, lost, stolen, or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen, or destroyed certificate, a new certificate for the shares of Preferred Stock so mutilated, lost, stolen, or destroyed, but only upon receipt of evidence of such loss, theft, or destruction of such certificate, and of the ownership thereof reasonably satisfactory to the Corporation.

d) Governing Law. All questions concerning the construction, validity, enforcement, and interpretation of this Certificate of Designation shall be governed by and construed and enforced in accordance with the internal laws of the State of Nevada, without regard to the principles of conflict of laws thereof. Each Holder and the Corporation agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated hereby (whether brought against a Holder or the Corporation or its respective Affiliates, directors, officers, stockholders, employees, or agents) shall be

commenced in the state and federal courts sitting in the City of Las Vegas, County of Clark, State of Nevada (the "Nevada Courts"). Each Holder and the Corporation hereby irrevocably submits to the exclusive jurisdiction of the Nevada Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action, or proceeding, any claim that it is not personally subject to the jurisdiction of such Nevada Courts, or that such Nevada Courts are improper or inconvenient venue for such proceeding. Each Holder and the Corporation hereby irrevocably waives personal service of process and consents to process being served in any such suit, action, or proceeding by mailing a copy thereof via registered or certified mail, postage prepaid, return receipt requested, or overnight delivery (with evidence of delivery) to the counterparty at the address for the Holder as set forth on the Corporation's books and records and for the Corporation as set forth in the records of the Secretary of State for the State of Nevada and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each Holder and the Corporation hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Certificate of Designation or the transactions contemplated hereby. If a Holder or the Corporation shall commence an action or proceeding to enforce any provisions of this Certificate of Designation, then the prevailing party in such action or proceeding shall be reimbursed by the other party therein for its attorneys' fees and other costs and expenses incurred in the investigation, preparation, and prosecution of such action or proceeding.

e ) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that entity (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Corporation or a Holder must be in writing.

f) Severability. If any provision of this Certificate of Designation is invalid, illegal, or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, satisfaction thereof shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

i) Status of Converted or Redeemed Preferred Stock Shares of Preferred Stock may only be issued pursuant to the Purchase Agreement. If any shares of Preferred Stock shall be converted, redeemed, or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series Q Convertible Preferred Stock.

RESOLVED, FURTHER, that the Chief Executive Officer is hereby authorized and directed to prepare and file this Certificate of Designation in accordance with the foregoing resolution and the provisions of the Nevada Revised Statutes.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 7<sup>th</sup> day of November, 2024.

ALT5 SIGMA CORPORATION

By: \_\_\_\_\_

Name: Tony Isaac

Title: President

**ANNEX A**

**NOTICE OF CONVERSION**

**(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES  
OF PREFERRED STOCK)**

The undersigned hereby elects to convert the number of shares of Series Q Convertible Preferred Stock indicated below into shares of common stock, par value \$0.001 per share (the "Common Stock"), of ALT5 Sigma Corporation, a Nevada corporation (the "Corporation"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Corporation in accordance with the Purchase Agreement. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date to Effect Conversion: \_\_\_

Number of shares of Preferred Stock owned prior to Conversion:\_\_\_

Number of shares of Preferred Stock to be Converted:\_\_\_

Stated Value of shares of Preferred Stock to be Converted:\_\_\_

Number of shares of Common Stock to be Issued:\_\_\_

Applicable Conversion Ratio: \_\_\_

Number of shares of Preferred Stock subsequent to Conversion:\_\_\_

Address for Delivery: \_\_\_

—

or

DWAC Instructions:

Broker no: \_\_\_\_\_

Account no: \_\_\_\_\_

## ASSET PURCHASE AND SALE AGREEMENT

**THIS ASSET PURCHASE AND SALE AGREEMENT** (this "**Agreement**") is entered into as November \_\_, 2024 (the "**Effective Date**"), by and between ALT5 Sigma Corporation, or its permitted nominees, designees, or assignees (including a wholly-owned subsidiary of the Buyer to be formed in connection with transactions contemplated herein) with an address of 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119 (the "**Buyer**"), and Qoden Technologies LLC, a Nevada limited liability company with an address of 5348 Vegas Drive 172, Las Vegas, Nevada 89108 (the "**Seller**").

### RECITALS

A. The Seller develops and markets software products and services and owns certain intellectual property that enables the Seller to operate its business (the "**Business**").

B. Each of the Buyer and the Seller desires to enter into this Agreement, pursuant to which the Seller proposes to sell to the Buyer, and the Buyer proposes to purchase from the Seller, certain assets used or held for use by the Seller in the conduct of the Business.

C. The Buyer shall use its commercially reasonable efforts to retain the services of two key employees of the Seller from and after the Closing through consulting agreements (the "**Consulting Agreements**") between such individuals and the Buyer or a subsidiary or division thereof.

D. The Seller shall use its commercially reasonable efforts to retain the services of its current chief executive officer from and after the Closing through such arrangements as are commercially reasonable (the "**Executive Agreement**").

NOW, THEREFORE, in consideration of these presents and for such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound hereby, agree as follows:

### **SECTION 1** CERTAIN DEFINITIONS

In addition to other terms defined elsewhere in this Agreement, the following terms will be defined as follows:

1.1. "**Assigned Contracts**" means those contracts that the Seller entered into in the course of operating the Business, which are listed on Schedule 1.1, attached to this Agreement and incorporated herein by reference.

1.2. "**Bill of Sale**" means a bill of sale and assignment and assumption agreement between the Seller and the Buyer in substantially the form of Exhibit 1.2, attached to this Agreement and incorporated herein by reference.

1.3. "**Closing**" or "**Closing Date**"

The transactions contemplated by this Agreement shall be consummated within thirty (30) days of the Effective Date, subject to the Buyer receiving all prerequisite regulatory

approvals, as applicable, unless otherwise agreed to in writing by the Buyer and the Seller. The Closing may be consummated (a) electronically, via the exchange of executed counterparts of, and the delivery of all deliverables required pursuant to, this Agreement in portable document format (PDF) or (b) at such other place or in such other manner as agreed upon by the parties to this Agreement. The Closing will be deemed effective as of 5:00 p.m. Eastern Time on the Closing Date. Title to the Purchased Assets (as defined below) and all rights related to them shall pass and possession shall be delivered to Buyer at the Closing.

#### 1.4 "Due Diligence Period"

The period of time starting on the Effective Date and ending at 5:00 p.m. Central Time on the 15<sup>th</sup> day following the Effective Date, within which time the Buyer shall complete its due diligence as described in Section 8 below.

#### 1.1. "Purchase Price"

The Equity Purchase Price component of the Purchase Price means the sum of Two Million Dollars (US\$2,000,000.00) payable as specified in Section 3.1, below. The Cash Purchase Price component of the Purchase Price means the sum of Two Hundred Forty Thousand Dollars (US\$240,000.00) payable as specified in Section 3.2, below.

## **SECTION 2** **PURCHASE AND SALE**

### 2.1. Purchase and Sale.

Upon and subject to the terms and conditions set forth in this Agreement, the Seller hereby sells, transfer, assigns, and delivers, or causes to be sold, transferred, assigned, and delivered, to the Buyer or its designees or assigns, all of Seller's right, title, title, and interest in and to the assets, properties, and rights of every kind and description, real, personal, and mixed, tangible and intangible, wherever situated, that are related to the past, current, or potential conduct of the Business, other than the Excluded Assets (collectively, the "**Purchased Assets**") as further listed in Schedule 1.5. The Purchased Assets include, without limitation, the following:

- (a) All source code;
- (b) copies of all software development documentation, third-party licenses, software development tools, or licenses as applicable;
- (c) the goodwill value of the Business as a going concern;
- (d) claims, deposits, prepayments, cash-in-lieu-of-bonds, refunds, or similar items, if any;
- (e) all patents (whether issued or applied for, including continuing patent applications) wherever situated, trademarks, copyrights, intellectual property rights, and other intangible property held by, or for, the Seller and specifically relating to the Business, if any;

(f) all rights under the Assigned Contracts listed on Schedule 1.1;

(g) to the extent legally transferrable, any authorization, approval, consent, certificate, license, permit, or franchise of or from any governmental entity or pursuant to any law which are necessary to conduct the Business as currently conducted or as proposed to be conducted.

## 2.2 Excluded Assets.

Notwithstanding anything to the contrary in this Agreement, the Buyer and the Seller agree that the Purchased Assets shall not include the following assets, property, and rights of the Seller (the "**Excluded Assets**"):

(a) the Seller's cash, bank accounts, cash equivalents, accounts receivable; the Seller's rights under this Agreement; all income tax refunds due to the Seller and tax deposits of the Seller; tax returns and financial information and statements of the Seller; and insurance policies of the Seller and all claims thereunder;

(b) all contracts to which the Seller is a party that are not Assigned Contracts;

(c) the corporate seals, charter documents, minutes books, stock books, tax returns, books of account, or other records having to do with the corporate organization of the Seller;

(d) any other assets of the Seller not specifically related to the past, current, or potential conduct of the Business;

(e) any contracts or operating business relationships of the Seller as they pertain to the past, current, or potential conduct of the business in Russia or for the benefit of past or current Russian customers; and

(f) any other assets of the Seller that the Buyer, or its nominees, designees, or assignees, elects not to purchase or is prohibited from purchasing under applicable law.

2.3 Assumption of Liabilities. With the exception of all responsibilities and obligations required by a holder of the Licenses, Purchased Assets, and those obligations required by the Assigned Contracts (collectively, the "**Assumed Liabilities**"), the Buyer shall not assume any liability or obligation of the Seller whatsoever in connection with the transactions contemplated by this Agreement, and the Seller shall retain responsibility for all liabilities and obligations accrued thereunder as of the Closing Date.

## **SECTION 3** **ECONOMIC ISSUES**

### 3.1. The Preferred Stock (The Equity Purchase Price Component).

(a) On or before the Closing Date, the Buyer shall tender the Equity Purchase Price component of the Purchase Price to the Seller through the issuance of seven hundred seventy-one thousand ten (771,010) shares of Series Q Convertible Preferred Stock of the Buyer (the "**Preferred Stock**"), which number of shares was calculated by dividing the Equity Purchase Price by \$2.594 (the Volume Weighted Average Price ("**VWAP**") of the Buyer's common stock, \$0.001 par value per share (the "**Common Stock**"), as reported by the Nasdaq Capital Market, for the five trading days immediately preceding the Effective Date), and which calculation assumes the initial one-to-one conversion ratio of shares of Preferred Stock into shares of Common Stock.

(b) In addition to all applicable regulatory restrictions on the disposition of the shares of Preferred Stock, all of such shares shall be subject to a mandatory eight-calendar-quarter leak-out, such that no more than twelve-and-one-half percent (12.5%) of the shares of Preferred Stock may be converted into shares of Common Stock on a trailing quarterly basis (each quarter based upon the Effective Date) over the course of two years, subject to standard vesting provisions; provided, however, that the Seller may not assign, transfer, hypothecate, lien, or otherwise obtain any economic value for any shares of its Preferred Stock that have not been converted into shares of Common Stock in accordance with the provisions of this Section 3.1(b).

### 3.2. The Monthly Payments (the Cash Purchase Price Component).

The Buyer shall tender to the Seller the Cash Purchase Price component of the Purchase Price in Twenty-four (24) equal monthly installments of Ten Thousand Dollars (US\$10,000.00) per month on the first day of each month after the Closing, subject to standard payment provisions.

### 3.3. Transition Period Services.

As a specific condition of the tender of both Equity Purchase Price Component and the Cash Purchase Price Component, the Seller shall make Andrei Verbin ("**Mr. Verbin**") available to the Buyer on an as-needed basis for the post-Closing Date period of Twenty-Four (24) Months (the "**Transition Period**") for such services in respect of the Business as the Buyer, from time to time, may reasonably request of Mr. Verbin that he provide during normal business hours (the "**Transition Services**"). The Seller expressly agrees, acknowledges, and understands that Mr. Verbin's failure or refusal to perform and provide, timely and competently, in any material respect, the Transition Services at any time during

the Transition Period shall constitute a material breach of this Agreement and shall provide the Buyer with the right, but not the obligation, to cause all of the shares of the Seller's Preferred Stock (and all of the shares of Common Stock into which the shares of its Preferred Stock could have been converted, as well as all of the shares of Common Stock then owned of record or beneficially by the Seller), then and there, to be deemed to have been returned to the treasury for cancellation and no longer to be issued and outstanding shares of capital stock of the Buyer.

### 3.4. Consulting Agreements.

In connection with the transactions contemplated by this Agreement, the Buyer shall use its commercially reasonable efforts to retain the services of two key employees of the Seller from and after the Closing through consulting agreements between such individuals and the Buyer or a subsidiary or division thereof. More specifically:

- a) the Buyer and Vlad Tikhomirov ("**Vlad**") shall enter into a standard-form, two-year consulting agreement (a **Consulting Agreement**) in the form attached hereto as Exhibit 1.3, pursuant to which, subject to standard termination provisions, Vlad shall perform and provide, timely and competently, the services referenced therein (the "**Consulting Services**") and the Buyer shall (y) issue to Vlad one hundred fifty-four thousand two hundred two (154,202) shares of Preferred Stock<sup>2</sup>, which number of shares was calculated by dividing Four Hundred Thousand Dollars (US\$400,000.00) by the VWAP and which calculation assumes the initial one-to-one conversion ratio of shares of Preferred Stock into shares of Common Stock and (z) tender to Vlad the sum of Te

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<sup>1</sup> Such failure shall include, but not be limited to:

- (A) Mr. Verbin's failure or refusal to perform and provide, timely and competently, in any material respect, the Transition Services (for the avoidance of doubt, Mr. Verbin's refusal to take any action or refrain from taking any action that would violate any law, rule, regulation, governmental pronouncement, court order, decree, or judgment shall not constitute a breach of this Agreement);
- (B) gross negligence, recklessness, willful misconduct, or intentional misrepresentation by Mr. Verbin in the performance of the Transition Services;
- (C) the commission by Mr. Verbin of any act of fraud, embezzlement, theft, or other financial dishonesty, or of any felony, or of any crime involving moral turpitude; or
- (D) Mr. Verbin's violation of state or federal law relating to sexual harassment or other prohibited harassment or discrimination or any policy of the Buyer of which Mr. Verbin had been provided notice.

<sup>2</sup> All of such shares are subject to a mandatory eight-calendar-quarter leak-out, such that no more than twelve-and-one-half percent (12.5%) of the shares of Preferred Stock may be converted into shares of Common Stock on a trailing quarterly basis (each quarter based upon the Effective Date) over the course of two years, subject to standard vesting provisions; provided, however, that Vlad may not assign, transfer, hypothecate, lien, or otherwise obtain any economic value for any shares of his Preferred Stock that have not been converted into shares of Common Stock in accordance with the provisions of this Section 3.4(a).

n Thousand Dollars (US\$10,000.00) per month on the first day of each month after the Closing;

- b) the Buyer and Kirill Rachenkov ("**Kirill**") shall enter into a standard-form, two-year Consulting Agreement in the form attached hereto as Exhibit 1.3, pursuant to which, subject to standard termination provisions, Kirill shall perform and provide, timely and competently, the Consulting Services referenced therein and the Buyer shall tender to Kirill the sum of Nine Thousand Dollars (US\$9,000.00) per month on the first day of each month after the Closing<sup>3</sup>;
- c) for the post-Closing Date period of two years during the pendency of each Consulting Agreement, each of Vlad and Kirill, severally and not jointly, expressly agrees, acknowledges, and understands that their individual failure or refusal to perform and provide, timely and competently, in any material respect, their respective Consulting Services at any time during the term of their respective Consulting Agreement shall constitute a material breach of this Agreement and of their respective Consulting Agreement and (i) in respect of Vlad only, shall provide the Buyer with the right, but not the obligation, to cause all of the shares of his Preferred Stock (and all of the shares of Common Stock into which his shares of Preferred Stock could have been converted, as well as all of the shares of Common Stock then owned of record or beneficially by Vlad), then and there, to be deemed to have been returned to the treasury for cancellation and no longer to be issued and outstanding shares of capital stock of the Buyer and (ii) in respect of Vlad or Kirill, as relevant, shall provide the Buyer with the right, but not the obligation, to cease the tender of the monthly payments that otherwise might have been due to Vlad, or Kirill, as relevant, under his specific Consulting Agreement.

#### **SECTION 4** **REPRESENTATIONS AND WARRANTIES**

##### **4.1. Seller's Representations.**

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<sup>3</sup> Notwithstanding anything to the contrary or otherwise in this Agreement or in the Consulting Agreement between the Buyer and Vlad, Vlad understands, acknowledges, and agrees that his failure or refusal to perform and provide the Consulting Services, timely and competently, during the term of his Consulting Agreement shall constitute a material breach of this Agreement and his Consulting Agreement. Any of the following shall be deemed to constitute such a breach:

- (A) Vlad's failure or refusal to perform, in any material respect his duties under his Consulting Agreement, where such action would be in the ordinary course of Vlad's duties (for the avoidance of doubt, Vlad's refusal to take any action or refrain from taking any action that would violate any law, rule, regulation, governmental pronouncement, court order, decree, or judgment or breach a fiduciary duty will not constitute Cause);
- (B) gross negligence, recklessness, willful misconduct, or intentional misrepresentation by Vlad in the performance of his duties under his Consulting Agreement;
- (C) the commission by Vlad of any act of fraud, embezzlement, theft, or other financial dishonesty, or of any felony, or of any crime involving moral turpitude; or
- (D) Vlad's violation of state or federal law relating to sexual harassment or other prohibited harassment or discrimination or any policy of the Buyer of which Vlad had been provided notice.

The Seller represents and warrants to the Buyer as of the Effective Date and as of the Closing Date as follows:

(a) The Seller is a duly formed and validly existing limited liability company and in good standing pursuant to the laws of Nevada and has the full power, authority, and legal right to execute and deliver and perform its obligations under this Agreement.

(b) The Seller has good and marketable title to all of the Purchased Assets, free and clear of any and all encumbrances. Upon consummation of the transactions contemplated by this Agreement, the Buyer will have acquired all of the Seller's right, title, and interest in and to each of the Purchased Assets, free and clear of all encumbrances but subject to all applicable laws.

(c) The execution and delivery of this Agreement, the consummation of the transactions provided for herein, and the fulfillment of the terms hereof on the part of the Seller will not result in a breach of any instrument to which the Seller is a party or by which the Seller is bound or of any judgment, decree, or order of any court or governmental body or any law, rule, or regulation applicable to the Seller.

(d) The execution, delivery, and performance of this Agreement and the transactions contemplated herein by the persons executing the same on behalf of the Seller have been duly and validly authorized and this Agreement and the other agreements and instruments contemplated hereby constitute legal, valid, and binding obligations of the Seller, enforceable in accordance with their respective terms.

(e) Except as otherwise provided in this Agreement, no consent, approval, or authorization of any governmental authority or private party that has not been obtained and is in effect is required on the part of the Seller in connection with the execution, delivery, and performance of this Agreement by the Seller.

(f) No litigation, arbitration, claim, investigation, or similar proceedings are pending or, to the Seller's knowledge after due inquiry, threatened relative to the Purchased Assets, the Assumed Liabilities, or the Business, nor to Seller's knowledge after due inquiry, is there any basis for any such litigation, arbitration, claim, investigation, or similar proceedings.

(g) The Seller has strictly complied with all laws, regulations, rules, or orders relating to the operations of the Business from inception.

(h) All information provided to the Buyer by or on behalf of the Seller during the Due Diligence Period is true and correct, including, without limitation, the unaudited financial statements for the fiscal years

ended December 31, 2022 and 2023, and the three- and six-month periods ended June 30, 2024 and 2023.

(i) There are no liabilities relating to the Purchased Assets or the Business, whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due.

(j) From and after January 1, 2022, there has not been any material adverse change in the Purchased Assets or the Business or the Assumed Liabilities; the Seller has not entered into any transaction or incurred any liability or obligation that is material to the Business or the operation of the Business except in the ordinary course of its business; and the Seller has not sold or transferred any of its assets relating to the Business other than in the ordinary course of business consistent with Seller's past practices.

(k) The Seller has not retained any broker or finder pursuant to any contract or arrangement in connection with the transactions contemplated hereby under which such broker or finder could be entitled to a fee or a commission from the Buyer.

(l) The Seller holds all permits and licenses for operation of the Business as operated in the past, currently, or as proposed that it requires, or is required to have, to own, lease, and maintain its properties and assets and to carry on the Business. The Seller has not received any notice that any of the Seller's permits or licenses are not in good standing or are not in full force and effect. The Seller currently is and, from and after January 1, 2022, has been in material compliance with all the terms and conditions relating to the permits and licenses, and there are no proceedings, investigations, or inquiries of any kind in progress pending or, to Seller's knowledge after due inquiry, threatened that relate to any of the permits or licenses previously, currently, or prospectively used or to be used in the Seller's conduct of the Business. None of the permits or licenses is subject to any variances, conditions, waivers, or other matters which are of a material nature.

(m) The Seller on its own behalf, and on behalf of its members, represents and warrants to the Buyer that, as of the Effective Date and the Closing Date:

- I. Investment Purpose. The Seller on its own behalf, and on behalf of its members, is acquiring the shares of Preferred Stock for its own account for investment purposes and not with a view toward, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered under or exempt from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"); provided, however, that, by making the representations herein,

the Seller on its own behalf, and on behalf of its members, does not agree, or make any representation or warranty, to hold any of the shares of Preferred Stock for any minimum or other specific term and reserves the right to dispose of the shares of Preferred Stock at any time in accordance with, or pursuant to, a registration statement covering the Securities or an available exemption under the Securities Act. The Seller on its own behalf, and on behalf of its members, does not presently have any agreement or understanding, directly or indirectly, with any person to distribute any of the shares of Preferred Stock.

- II. Reliance on Exemptions. The Seller on its own behalf, and on behalf of its members, understands that the shares of Preferred Stock are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Buyer is relying in part upon the truth and accuracy of, and the Seller on its own behalf, and on behalf of its members', compliance with, the representations, warranties, agreements, acknowledgments, and understandings of the Seller on its own behalf, and on behalf of its members, set forth herein in order to determine the availability of the exemptions and the eligibility of the Seller on its own behalf, and on behalf of its members, to acquire the shares of Preferred Stock.
- III. Information. The Seller on its own behalf, and on behalf of its members, and their respective advisors and counsel, if any, (a) have had the opportunity of reviewing all of the publicly available filings by the Buyer with the Commission on its EDGAR website, (b) have been furnished with all materials relating to the business, finances, and operations of the Buyer that the Seller on its own behalf, and on behalf of its members, deemed material to making an informed investment decision regarding the acquisition of the shares of Preferred Stock, and (c) the Seller on its own behalf, and on behalf of its members, have been afforded the opportunity to ask questions of the Buyer and its management. The Seller on its own behalf, and on behalf of its members, understands that ownership of the shares of Preferred Stock involves a high degree of risk. The Seller on its own behalf, and on behalf of its members, has sought the accounting, legal, and tax advice as they have considered necessary to make an informed investment decision with respect to the acquisition of the shares of Preferred Stock.
- IV. Transfer or Resale. The Seller on its own behalf, and on behalf of its members, understands that: (i) the shares of Preferred Stock have not been registered under the Securities Act or qualified under any state securities laws, and may not be

offered for sale, sold, assigned, or transferred unless (A) subsequently registered thereunder, (B) the Seller on its own behalf, and on behalf of its members, shall have delivered to the Buyer an opinion of counsel, in a generally acceptable form, to the effect that the Securities to be sold, assigned, or transferred may be sold, assigned, or transferred pursuant to an exemption from the registration requirements, or (C) the Seller on its own behalf, and on behalf of its members, provides the Buyer with reasonable assurances (in the form of seller and broker representation letters) that the Securities can be sold, assigned, or transferred pursuant to Rule 144, in each case following the applicable holding period set forth therein and (ii) any sale of the shares of Preferred Stock made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and, further, if Rule 144 is not applicable, any resale of the shares of Preferred Stock under circumstances in which the Buyer or any of its relevant members (or the person through whom the sale is made) may be deemed to be an “underwriter” (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the Commission thereunder.

- V. Legends. The Seller on its own behalf, and on behalf of its members, agrees to the imprinting, so long as its required by this Section 4.1(m)(V), of a restrictive legend on the shares of Preferred Stock in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS. THE SECURITIES HAVE BEEN ACQUIRED SOLELY FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TOWARD RESALE AND MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED, OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL, IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR APPLICABLE STATE SECURITIES LAWS.

4.2. Buyer’s Representations.

The Buyer represents and warrants to the Seller as of the Effective Date and as of the Closing Date as follows:

(a) Buyer is a duly formed and validly existing corporation in good standing pursuant to the laws of the State of Delaware and has the full power, authority, and legal right to execute and deliver and perform its obligations under this Agreement.

(b) The execution and delivery of this Agreement, the consummation of the transactions provided for herein and the fulfillment of the terms hereof on the part of the Buyer will not result in a breach of any instrument to which the Buyer is a party or by which the Buyer is bound or of any judgment, decree or order of any court or governmental body or any law, rule, or regulation applicable to the Buyer.

(c) The execution, delivery, and performance of this Agreement and the transactions contemplated herein by the persons executing the same on behalf of the Buyer have been duly and validly authorized and this Agreement and the other agreements and instruments contemplated hereby constitute legal, valid, and binding obligations of the Buyer, enforceable in accordance with their respective terms.

(d) Except as otherwise provided in this Agreement, no consent, approval, or authorization of any governmental authority or private party that has not been obtained and is in effect is required on the part of the Buyer in connection with the execution, delivery, and performance of this Agreement by the Buyer.

#### 4.3. Reliance.

The representations and warranties contained herein are made with the knowledge and expectation that the Buyer and the Seller, as the case may be, are placing complete reliance thereon.

### **SECTION 5** **DUE DILIGENCE**

#### 5.1. Investigations.

The Seller shall promptly and reasonably respond to the Buyer's requests for information (in no event later than one (1) business day after receipt of such request) and shall afford the Buyer access to the books and records of the Seller and any other materials requested by the Buyer. The Buyer shall have the right, at any time up to and including the day on which the Due Diligence Period is to expire, to terminate this Agreement for any reason or no reason, in Buyer's sole and absolute discretion upon written notice to the Seller. In the event the Buyer so terminates this Agreement, the Buyer shall return to the Seller any materials regarding the Purchased Assets, Seller, or Licenses provided by Seller and copies of any investigations or reports conducted by or for the Buyer regarding the same, all at no cost to Seller.

#### 5.2. Notice of Termination.

If the Buyer fails to terminate this Agreement as provided in Section 5.1, the Buyer shall be deemed to have approved all matters pertaining to or affecting the Purchased Assets, the Seller, and the Licenses, and the Buyer shall have no further right to terminate this Agreement pursuant to this Section 5.

#### 5.3. Confidentiality.

(a) The Buyer agrees that all documents and information regarding the Purchased Assets, and the Seller, of whatsoever nature made available to the Buyer or its affiliates or agents by the Seller or the Seller's affiliates or agents and the results of all tests and studies of the Purchased Assets, the Seller, and the Licenses, are confidential and, subject to court order and other requirements of law, the Buyer shall not disclose any such information to any other person except those assisting it with the analysis of the Purchased Assets, the Seller, and the Licenses and only after procuring such person's agreement to abide by these confidentiality restrictions. The term, "requirements of law" include, without limitation, disclosure to regulatory agencies including the Canadian Securities Administrators and the United States Securities and Exchange Commission; provided, however, that the Buyer shall notify the Seller in writing of such disclosure to any such agency no less than five (5) business days before such disclosure or less time if not otherwise reasonably practicable. In the event this Agreement is terminated or the Closing does not occur for any reason, the Buyer shall return to the Seller all documents and information that were provided by the Seller or the Seller's affiliates or agents to the Buyer or the Buyer's affiliates or agents, or any such materials made available to and copied by the Buyer or the Buyer's affiliates or agents, and any copies of such materials. This Section 5.3(a) shall survive the Closing or termination of this Agreement.

(b) The Seller agrees that all documents and information regarding the Buyer, of whatsoever nature made available to the Seller or the Seller's affiliates or agents by the Buyer or the Buyer's affiliates or agents are confidential and, subject to court order and other requirements of law, Seller shall not disclose any such information to any other person. In the event this Agreement is terminated or the Closing does not occur for any reason, the Seller shall return to the Buyer all documents and information that were provided by the Buyer or the Buyer's affiliates or agents to the Seller or the Seller's affiliates or agents, or any such materials made available to and copied by the Seller or the Seller's affiliates or agents, and any copies of such materials. This Section 5.3(b) shall survive the Closing or termination of this Agreement.

#### 5.4. Access.

The Buyer and the Buyer's employees, representatives, consultants, and contractors will be afforded access to the books and records of the Seller for the purposes of conducting an investigation of the Purchased Assets.

### **SECTION 6** **PRESS RELEASE**

6.1 If either the Seller or the Buyer desires to issue a press release or public announcement concerning the entering into this Agreement, such party shall submit such request to the other party for approval, which approval shall not be unreasonably withheld, delayed, denied, or conditioned.

**SECTION 7**  
**COSTS AND EXPENSES**

The Buyer and the Seller will each pay all legal and professional fees and fees of other consultants incurred by the Buyer and the Seller, respectively.

**SECTION 8**  
**INDEMNIFICATION**

The Seller shall assume and pay all debts, charges, claims, damages, and liabilities attributable to the operation of the Purchased Assets, the Business, and the Seller prior to Closing and shall hold the Buyer harmless therefrom and indemnify and defend against the same. The Buyer shall assume and pay all debts, charges, claims, damages, and liabilities attributable to the operation of the Purchased Assets from and after the Closing and shall hold the Seller harmless therefrom and indemnify and defend against the same, except liabilities expressly assumed in writing by the Seller.

**SECTION 9**  
**BROKERS**

The Seller represents and warrants to the Buyer, and the Buyer represents and warrants to the Seller that no broker or finder has been engaged by either of them in connection with any of the transactions contemplated by this Agreement. The Buyer and the Seller will indemnify, save harmless and defend the other from any liability, cost or expense arising out of or connected with any claim for any commission or compensation made by any person or entity claiming to have been retained or contacted by them in connection with the transactions contemplated by this Agreement.

**SECTION 10**  
**NOTICES**

10.1. Notice.

Any and all notices and demands by either party hereto to the other party, required or desired to be given hereunder shall be in writing and shall be validly given only if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested, or if made by Federal Express or other delivery service which keeps records of deliveries and attempted deliveries, or, if made by facsimile machine (receipt of which is acknowledged or if a copy thereof is delivered the following day by a delivery service which keeps records of deliveries and attempted deliveries). Service of notice shall be conclusively deemed made on the first business day delivery is attempted or upon receipt, whichever is sooner, provided that such notice is addressed as follows:

To the Seller:                    Qoden Technologies LLC

5348 Vegas Drive 172  
Las Vegas, Nevada 89108

With a mandatory copy  
Which shall not constitute notice to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

To the Buyer and the Buyer Sub: ALT5 Sigma Corporation  
325 E. Warm Springs Road, Suite 102  
Las Vegas, Nevada 89119

With a mandatory copy to  
Which shall not constitute notice: Clark Hill LLP  
555 South Flower Street, 24<sup>th</sup> Floor  
Los Angeles, California 90071

10.2. Changes.

A party hereto may change its address for the purpose of receiving notices or demands as herein provided by a written notice given in the manner aforesaid to the other party hereto, which notice of change of address shall not become effective, however, until the actual receipt thereof by the other party.

**SECTION 11**  
**MISCELLANEOUS PROVISIONS**

11.1. Governing Law: Jurisdiction and Venue.

This Agreement, for all purposes, shall be construed in accordance with the laws of Nevada without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce an arbitration award with respect to this Agreement shall be brought only in a state or federal court located in the State of Nevada, Clark County. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

11.2. Successors.

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors, nominees, designees, and assignees.

11.3. Assignment.

The Buyer may assign this Agreement to any designee, nominee, or assignee of its choice; provided, however, any such assignment (1) shall not delay any approvals required for the Buyer to purchase the Purchased Assets as set forth in this Agreement and (2) must be in writing, a copy of which must promptly be provided to Seller. No such assignment shall relieve the original Buyer under this Agreement of its liability under this Agreement for any

matters occurring prior to such assignment, all of which obligations shall survive against the original Buyer shall in no way such original Buyer be released from the full and complete performance of all the terms hereof.

11.4. Non-Waiver.

The failure to enforce or the delay in enforcement of any provision of this Agreement by a party hereto or the failure of a party to exercise any right hereunder shall in no way be construed to be a waiver of such provision or right (or of any other provision or right hereof whether of a similar or dissimilar nature) unless such party expressly waives such provision or right in writing.

11.5. Partial Invalidity.

If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void, or unenforceable, all provisions, covenants, and conditions of this Agreement, and all applications thereof, not held invalid, void, or unenforceable, shall continue in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

11.6. Attorneys' Fees.

In the event any action is commenced by either party against the other in connection herewith (including any action to lift a stay or other bankruptcy proceeding), the unsuccessful party shall pay the costs and expenses, including reasonable attorneys' fees, as determined by the court, of the prevailing party.

11.7. Entire Agreement.

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein and supersedes all prior representations, agreements, and understandings of the parties, including any "letter of intent", "letter of understanding", or similar documents. No addition to or modification of this Agreement shall be binding unless executed in writing by the parties hereto.

11.8. Time of Essence.

Time is of the essence in the performance of the parties' respective obligations set forth in this Agreement and all the terms, provisions, covenants, and conditions hereof.

11.9. Counterparts.

This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute one and the same Agreement. Any signature page of this Agreement may be detached from any counterpart without impairing the legal effect of any signatures thereon, and may be attached to another counterpart, identical in form thereto, but having attached to it one or more additional signature pages. To facilitate execution of this Agreement, the parties may

execute and exchange by telephone or electronic facsimile counterparts of the signature pages.

11.10. Headings.

The headings of the various paragraphs of this Agreement have been inserted only for convenience, and shall not be deemed in any manner to modify or limit any of the provisions of this Agreement, or be used in any manner in the interpretation of this Agreement.

11.11. Interpretation.

Whenever the context so requires, all words used in the singular shall be construed to have been used in the plural (and vice versa), each gender shall be construed to include any other genders, and the word "person" shall be construed to include a natural person, a corporation, a firm, a partnership, a joint venture, a trust, an estate, or any other entity.

11.12. Further assurances.

In addition to the acts and deed recited herein and contemplated to be performed, executed, or delivered by Seller or Buyer, Seller and Buyer hereby agree to perform, execute, and deliver, or cause to be performed, executed and delivered, on the Closing Date or thereafter, any and all such further acts, deeds and assurances as Buyer or Seller, as the case may be, may reasonably require in order to consummate fully the transactions contemplated hereunder.

11.13. Waiver of Jury Trial.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE PARTIES HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

11.14. Dates.

The term "business day" shall mean calendar days other than a Saturday, Sunday, or United States national or State of Nevada holiday. If any dates hereunder for the taking of some action or the expiration of some time period fall on a day that is not a business day, such date shall be the next following business day.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Buyer and the Seller have executed this Agreement as of the day and year first above written.

**Seller:**

QODEN TECHNOLOGIES LLC

By: \_\_\_\_\_  
Andrei Verbin  
Chief Executive Officer

**Buyer:**

ALT5 SIGMA CORPORATION

By: \_\_\_\_\_  
Peter Tassiopoulos  
Chief Executive Officer

**INDEX OF EXHIBITS AND SCHEDULES**

Schedule 1.1	Assigned Contracts
Exhibit 1.2	Form of Bill of Sale
Exhibit 1.3	List of Consultants / C and PI Agreement
Exhibit 1.3(a)	Consulting Agreement for Vlad
Exhibit 1.3(b)	Consulting Agreement for Kirill
Schedule 1.5	Purchased Assets

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**SCHEDULE 1.1  
ASSIGNED CONTRACTS**

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**EXHIBIT 1.2**  
[FORM OF BILL OF SALE]  
**BILL OF SALE**

This Bill of Sale ("**Bill of Sale**") is made by Qoden Technologies LLC, a Nevada limited liability company with an address of 5348 Vegas Drive 172, Las Vegas, Nevada 89108, United States (the "**Seller**"), and is dated as of the Closing Date as that term is defined in that certain Asset Purchase and Sale Agreement (the "**Purchase Agreement**"), entered into contemporaneously herewith, by and between Seller and ALT5 Sigma Corporation, or its permitted designees, nominees, or assignees with an address of 325 E. Warm Springs Road, Suite 102, Las Vegas, Nevada 89119 (the "**Buyer**"). Capitalized terms used herein and not defined have the meaning ascribed to them in the Purchase Agreement, the terms of which are specifically incorporated by reference into this Bill of Sale.

**RECITALS**

WHEREAS, Section 1.2(b) of the Purchase Agreement requires the Seller to execute this Bill of Sale as a condition of the Purchase Agreement; and

WHEREAS, Seller desires to sell and to deliver and to assign any and all of the Seller's right, title, and interest in and to the Purchased Assets to the Buyer.

NOW, THEREFORE, in consideration of these presents and for such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound hereby, agree as follows:

1. Subject to the terms of this Bill of Sale, the Seller sells and delivers and assigns any and all of the Seller's right, title, and interest in and to the Purchased Assets free and clear of all liens and encumbrances to the Buyer.

2. The Seller shall use commercially reasonable best efforts to secure all regulatory approvals necessary, if applicable, to effectuate the terms of this Bill of Sale and the transactions contemplated by the Purchase Agreement.

IN WITNESS WHEREOF the Seller has executed this Bill of Sale effective as of the Closing Date.

QODEN TECHNOLOGIES LLC

By: \_\_\_\_\_  
Andrei Verbin  
Chief Executive Officer

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**EXHIBIT 1.3**  
**LIST OF CONSULTANTS / C and PI Agreement**

Mr. Vlad Tikhomirov  
Mr. Kirill Rachenkov

**All Employees/Contractors/Consultants shall enter into the following**

**Confidentiality and Proprietary Information Agreement**

In consideration of employment as an employee or engagement as an independent contractor with ALT5 Sigma Corporation or its designee, nominee, or assignee (the "**Company**"), the undersigned (the "**Participant**") agrees and covenants as follows:

1. Employment with the Company as an employee or engagement with the Company as an independent contractor or consultant, as the case may be (the "**Engagement**"), will give the Participant access to proprietary and confidential information belonging to the Company, its customers, its suppliers, and others (the proprietary and confidential information is collectively referred to in this Agreement as "**Confidential Information**"). Confidential Information includes but is not limited to customer lists, marketing plans, proposals, contracts, technical and/or financial information, databases, software, and know-how. All Confidential Information remains the confidential and proprietary information of the Company.
  2. As referred to herein, the "**Business of the Company**" shall relate to the business of the Company as the same is determined by the Board of Directors of the Company from time to time.
  3. The Participant may in the course of the Engagement conceive, develop, or contribute to material or information related to the Business of the Company, including, without limitation, software, technical documentation, ideas, inventions (whether or not patentable), hardware, know-how, marketing plans, designs, techniques, documentation, and records, regardless of the form or media, if any, on which such is stored (referred to in this Agreement as "**Proprietary Property**"). The Company shall exclusively own all Proprietary Property which the Participant conceives, develops, or contributes to in the course of the Engagement and all intellectual and industrial property and other rights of any kind in or relating to the Proprietary Property, including, but not limited to, all copyright, patent, trade secret and trade-mark rights in or relating to the Proprietary Property. For greater certainty, the Participant hereby assigns to the Company any and all rights that the Participant may have or obtain in or to the Proprietary Property. Material or information conceived, developed, or contributed to by the Participant outside work hours on the Company's premises or through the use of the Company's property and/or assets shall also be Proprietary Property and be governed by this Agreement if such material or information relates to the Business of the Company. The Participant shall keep full and accurate records accessible at all times to the Company relating to all Proprietary Property and shall promptly disclose and deliver to the Company all Proprietary Property.
  4. The Participant shall, both during and after the Engagement, keep all Confidential Information and Proprietary Property confidential and shall not use any of it except for the
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purpose of carrying out authorized activities on behalf of the Company. The Participant may, however, use or disclose Confidential information which:

- (i) Is or becomes public other than through a breach of this Agreement;
- (ii) Is known to the Participant prior to the date of this Agreement and with respect to which the Participant does not have any obligation of confidentiality; or
- (iii) Is required to disclose by law, whether under an order of a court or government tribunal or other legal process, provided that Participant informs the Company of such requirement in sufficient time to allow the Company to avoid such disclosure by the Participant.

The Participant shall return or destroy, as directed by the Company, Confidential Information and Proprietary Property to the Company upon request by the Company at any time. The Participant shall certify, by way of affidavit or statutory declaration, that all such Confidential Information and Proprietary Property has been returned or destroyed, as applicable.

5. The Participant covenants and agrees not to make any unauthorized use whatsoever of or to bring onto the Company's premises for the purpose of making any unauthorized use whatsoever of any trade secrets, confidential information, or proprietary property of any third party, including without limitation any trade-marks or copyrighted materials, during the course of the Engagement. The Participant agrees and represents that the Engagement and the execution of this Agreement do not and will not breach any agreement to which the Participant is currently a party or which currently applies to the Participant.

6. At the reasonable request and at the sole expense of the Company, the Participant shall do all reasonable acts necessary and sign all reasonable documentation necessary in order to ensure the Company's ownership of the Proprietary Property and all intellectual and industrial property rights and other rights in the same, including but not limited to providing to the Company written assignments of all rights to the Company and any other documents required to enable the Company to document rights and/or register patents, copyrights, trade-marks, industrial designs and such other protections as the Company considers advisable anywhere in the world.

7. The Participant hereby irrevocably and unconditionally waives all moral rights the Participant may now or in the future have in any Proprietary Property.

8. The Participant agrees that the Participant will, if requested from time to time by the Company, execute such further reasonable agreements as to confidentiality and proprietary rights as the Company's customers or suppliers reasonably required to protect Confidential Information or Proprietary Property.

9. Regardless of any changes in position, salary or otherwise, including, without limitation, termination of the Engagement, unless otherwise stipulated pursuant to the terms hereof, the Participant will continue to be subject to each of the terms and conditions of this Agreement and any other(s) executed pursuant to the preceding paragraph.

10. The Participant agrees that the Participant's sole and exclusive remedy for any breach of this Agreement or any other agreement by the Company will be limited to monetary damages and that the Participant will not make any claim in respect of any rights to or interest in any Confidential Information of Proprietary Property.

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11. The Participant acknowledges that the services provided by the Participant to the Company are unique. The Participant further agrees that irreparable harm will be suffered by the Company in the event of the Participant's breach or threatened breach of any of his or her obligations under this Agreement, and that the Company will be entitled to seek, in addition to any other rights and remedies that it may have at law or equity, a temporary or permanent injunction restraining the Participant from engaging in or continuing any such breach hereof, without the requirement of any bond in connection therewith. Any claims asserted by the Participant against the Company shall not constitute a defense in any injunction action, application or motion brought against the Participant by the Company.

12. This Agreement, for all purposes, shall be construed in accordance with the laws of Nevada without regard to conflicts of law principles. Any action or proceeding by either of the parties to enforce an arbitration award with respect to this Agreement shall be brought only in a state or federal court located in the State of Nevada, Clark County. The parties hereby irrevocably submit to the non-exclusive jurisdiction of such courts and waive the defense of inconvenient forum to the maintenance of any such action or proceeding in such venue.

13. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, that provision shall be deleted and the other provisions shall remain in effect.

**IN WITNESS WHEREOF** the Company has caused this Agreement to be executed as of the \_\_\_\_ day of \_\_\_\_\_, 2024.

**Signed in the presence of:**

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**PARTICIPANT**                      **WITNESS to PARTICIPANT**  
**NAME:**                              **NAME:**

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**SCHEDULE 1.5**  
**PURCHASED ASSETS**

1. Qodex Cryptocurrency Exchange Software including:
  - a. Trading Module providing spot trading functions and API, charts, and liquidity management;
  - b. Wallet module integrating with blockchains, custodians, and AML providers;
  - c. KYC service implementing KYC function as well as integrations with KYC providers;
  - d. System monitoring modules; and
  - e. Web and Mobile terminals.
2. Mobile apps currently deployed and in development.
3. Futures trading module (It is alpha version, capable of maintaining positions, charging funding fees and liquidating. Estimated at 50% complete).
4. All source code, documentation, data, and bug repositories.
5. All Trademarks.

## CERTIFICATIONS:

I, Peter Tassiopoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JanOne 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 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)) 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 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 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 involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Peter Tassiopoulos

Peter Tassiopoulos

Chief Executive Officer

## CERTIFICATIONS:

I, Virland A. Johnson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JanOne 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 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)) 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 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 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 involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2024

/s/ Virland A. Johnson

Virland A. Johnson

Chief Financial Officer

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

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), the undersigned Chief Executive Officer of JanOne Inc. (the "Company") hereby certifies that the Quarterly Report on Form 10-Q of the Company for the period ended September 28, 2024 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2024

/s/ Peter Tassiopoulos

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Peter Tassiopoulos

Chief Executive Officer

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

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), the undersigned Chief Financial Officer of JanOne Inc. (the "Company") hereby certifies that the Quarterly Report on Form 10-Q of the Company for the period ended September 28, 2024 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2024

/s/ Virland A. Johnson

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Virland A. Johnson

Chief Financial Officer