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

FORM 10-Q

(MARK ONE)

☒**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2024

OR

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT**
For the transition period from _______________ to ____________

Commission file number: 001-34294

RYVYL INC.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

22-3962936
(IRS Employer Identification Number)

3131 Camino Del Rio North, Suite 1400
San Diego, CA
(Address of principal executive offices)

92108
(Zip Code)

(619) 631-8261
(Registrant's telephone number, including area code)

____
(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	RVYL	The Nasdaq Stock Market LLC (Nasdaq Capital Market)

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

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

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

Large accelerated filer ☐
Accelerated filer ☐
Non-accelerated filer ☒
Smaller reporting company ☒
Emerging growth company ☐

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

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

As of November 12, 2024, the Registrant had 7,395,178 shares of common stock, $0.001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RYVYL INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	September 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,263	$ 12,180
Restricted cash	87,220	61,138
Accounts receivable, net of allowance for credit losses of $ 152 and $23, respectively	851	859
Cash due from gateways, net of allowance of $ 125 and $2,636, respectively	66	12,834
Prepaid and other current assets	3,313	2,854
Total current assets	95,713	89,865
Non-current Assets:		
Property and equipment, net	1,300	306
Goodwill	20,318	26,753
Intangible assets, net	3,676	5,059
Operating lease right-of-use assets, net	3,627	4,279
Other assets	2,677	2,403
Total non-current assets	31,598	38,800
Total assets	$ 127,311	$ 128,665
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,986	$ 1,819
Accrued liabilities	7,569	5,755
Payment processing liabilities, net	87,542	76,772
Current portion of operating lease liabilities	821	692
Other current liabilities	1,220	504
Total current liabilities	100,138	85,542
Long term debt, net of debt discount	17,706	15,912
Operating lease liabilities, less current portion	3,144	3,720
Total liabilities	120,988	105,174
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, Series B, par value $0.01, 5,000,000 shares authorized; shares issued and outstanding 53,950 and 55,000 at September 30, 2024 and December 31, 2023, respectively	1	1
Common stock, par value $0.001, 100,000,000 shares authorized, shares issued and outstanding of 6,957,875 and 5,996,948 at September 30, 2024 and December 31, 2023, respectively	7	6
Additional paid-in capital	177,750	175,664
Accumulated other comprehensive income	1,120	401
Accumulated deficit	(172,555)	(152,581)
Total stockholders' equity	6,323	23,491
Total liabilities and stockholders' equity	$ 127,311	$ 128,665

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

RYVYL INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Dollars in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue	$ 12,606	$ 17,480	$ 41,280	$ 43,620
Cost of revenue	7,749	10,800	24,643	25,703
Gross profit	4,857	6,680	16,637	17,917
Operating expenses:				
Advertising and marketing	42	45	74	153
Research and development	815	1,315	3,027	4,434
General and administrative	1,442	3,041	5,107	6,709
Payroll and payroll taxes	3,251	2,605	9,670	8,232
Professional fees	1,061	1,234	3,356	5,651
Stock compensation expense	136	147	542	309
Depreciation and amortization	590	657	1,826	1,899
Impairment of goodwill	-	-	6,675	-
Restructuring charges	-	-	1,636	-
Total operating expenses	7,337	9,044	31,913	27,387
Loss from operations	(2,480)	(2,364)	(15,276)	(9,470)
Other income (expense):				
Interest expense	(309)	(65)	(462)	(3,310)
Accretion of debt discount	(273)	(4,183)	(1,978)	(9,626)
Changes in fair value of derivative liability	-	6,909	14	6,580
Derecognition expense on conversion of convertible debt	-	(1,331)	(68)	(1,518)
Legal settlement expense	(1,598)	(1,929)	(1,598)	(4,142)
Other income (expense)	72	(25)	608	(1,474)
Total other income (expense), net	(2,108)	(624)	(3,484)	(13,490)
Loss before provision for income taxes	(4,588)	(2,988)	(18,760)	(22,960)
Income tax provision	586	128	1,214	138
Net loss	$ (5,174)	$ (3,116)	$ (19,974)	$ (23,098)
Comprehensive income statement:				
Net loss	(5,174)	(3,116)	(19,974)	(23,098)
Foreign currency translation gain (loss)	1,338	(317)	719	(389)
Total comprehensive loss	$ (3,836)	$ (3,433)	$ (19,255)	$ (23,487)
Net loss per share:				
Basic and diluted	$ (0.76)	$ (0.60)	$ (3.12)	$ (4.48)
Weighted average number of common shares outstanding:				
Basic and diluted	6,812,248	5,231,588	6,408,993	5,160,499

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

RYVYL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Preferred Stock Series B Shares	Preferred Stock Amount	Additional Paid In Capital	Other Accumulated Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2023	**5,996,948**	**$ 6**	**55,000**	**$ 1**	**$ 175,664**	**$ 401**	**$ (152,581)**	**$ 23,491**
Issuance of common stock under equity incentive plans	6,333	1	-	-	119	-	-	119
Issuance of restricted common stock under equity incentive plans	14,443	-	-	-	94	-	-	94
Issuance of common stock upon exercise of stock options	6,218	-	-	-	-	-	-	-
Shares forfeited	(22,455)	(1)	-	-	(100)	-	-	(100)
Net loss and comprehensive loss	-	-	-	-	-	(445)	(2,689)	(3,134)
Balance at March 31, 2024	**6,001,487**	**$ 6**	**55,000**	**$ 1**	**$ 175,777**	**$ (44)**	**$ (155,270)**	**$ 20,470**
Issuance of restricted common stock under equity incentive plans	42,659	-	-	-	279	-	-	279
Issuance of common stock upon conversion of convertible debt	169,220	-	-	-	240	-	-	240
Issuance of common stock upon conversion of Series B preferred stock	567,262	1	(875)	-	(1)	-	-	-
Shares forfeited	(30,528)	-	-	-	(75)	-	-	(75)
Net loss and comprehensive loss	-	-	-	-	-	(174)	(12,111)	(12,285)
Balance at June 30, 2024	**6,750,100**	**$ 7**	**54,125**	**$ 1**	**$ 177,620**	**$ (218)**	**$ (167,382)**	**$ 10,028**
Issuance of restricted common stock under equity incentive plans	32,866	0	-	-	132	-	-	132
Issuance of common stock upon conversion of convertible debt	-	-	-	-	-	-	-	-
Issuance of common stock upon conversion of Series B preferred stock	194,596	0	(175)	(0)	(0)	-	-	0
Shares forfeited	(19,687)	(0)	-	-	(1)	-	-	(1)
Net loss and comprehensive loss	-	-	-	-	-	1,338	(5,174)	(3,836)
Balance at September 30, 2024	**6,957,875**	**$ 7**	**53,950**	**$ 1**	**$ 177,750**	**$ 1,120**	**$ (172,555)**	**$ 6,323**

RYVYL INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)
(Unaudited)

	Common Stock				Treasury Stock				Deferred Stock	Additional	Other Accumulated Comprehensive	Accumulated	Total Stockholders' Equity
	Shares	**Amount**	**To be Issued**	**Amount**	**To be returned**	**Amount**	**Shares**	**at Cost**	**Compensation**	**Paid In Capital**	**Income (Loss)**	**Deficit**	**(Deficit)**
Balance at December 31, 2022	**4,972,736**	**$ 5**	**175,392**	**$ -**	**(13,689)**	**$ (7)**	**-**	**$ -**	**$ -**	**$ 96,256**	**$ 1,596**	**$ (99,772)**	**$ (1,922)**
Common stock issued to employees for compensation	(891)	-	-	-	-	-	-	-	-	31	-	-	31
Common stock issued for interest on convertible debt	175,392	-	(175,392)	(175)	-	-	-	-	-	-	-	-	-
Carryover effects of financial statement restatements in prior periods	-	-	-	-	-	-	-	-	-	-	-	294	294
Share repurchase	(13,672)	-	-	-	13,689	7	-	-	-	(7)	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	-	-	-	-	(58)	(7,979)	(8,037)
Balance at March 31, 2023	**5,133,565**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,280**	**1,538**	**(107,457)**	**(9,634)**
Common stock issued to employees for compensation	9,511	-	-	-	-	-	-	-	-	130	-	-	130
Common stock issued for conversion of convertible debt	56,265	-	-	-	-	-	-	-	-	416	-	-	416
Common stock issued for interest on convertible debt	738	-	-	-	-	-	-	-	-	5	-	-	5
Restricted common stock issued for compensation	13,166	-	-	-	-	-	-	-	(67)	100	-	-	33
Shares forfeited	(16,865)	-	-	-	-	-	-	-	-	(315)	-	-	(315)
Net loss and comprehensive loss	-	-	-	-	-	-	-	-	-	-	(13)	(12,005)	(12,018)
Balance at June 30, 2023	**5,196,380**	**5**	**-**	**-**	**-**	**-**	**-**	**-**	**(67)**	**96,616**	**1,525**	**(119,462)**	**(21,383)**
Common stock issued to employees for compensation	8,878	-	-	-	-	-	-	-	-	20	-	-	20
Restricted common stock issued for compensation	7,328	-	-	-	-	-	-	-	5	105	-	-	110
Shares forfeited	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	-										(317)	(3,116)	(3,433)
Balance at September 30, 2023	**5,212,586**	**$ 5**	**-**	**$ -**	**-**	**$ -**	**-**	**$ -**	**$ (62)**	**$ 96,741**	**$ 1,208**	**$ (122,578)**	**$ (24,686)**

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

RYVYL INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net loss	$ (19,974)	$ (23,098)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	1,826	1,899
Noncash lease expense	205	246
Stock compensation expense	542	309
Accretion of debt discount	1,978	9,626
Derecognition expense upon conversion of convertible debt	68	1,518
Changes in fair value of derivative liability	(14)	(6,580)
Impairment of goodwill	6,675	-
Restructuring charges	1,636	-
Changes in assets and liabilities:		
Accounts receivable, net	70	457
Prepaid and other current assets	(460)	6,841
Cash due from gateways, net	12,706	(896)
Other assets	(318)	(1,480)
Accounts payable	1,166	1,962
Accrued and other current liabilities	1,943	1,333
Accrued interest	300	554
Payment processing liabilities, net	10,770	34,893
Net cash provided by operating activities	$ 19,119	$ 27,584
Cash flows from investing activities:		
Purchases of property and equipment	(34)	(78)
Capitalized software development costs	(1,100)	-
Purchase of intangible assets	(92)	-
Net cash used in investing activities	(1,226)	(78)
Cash flows from financing activities:		
Repayments on long term debt	(13)	(11)
Treasury stock purchases	(194)	-
Net cash used in financing activities	(207)	(11)
Effects of exchange rates on cash, cash equivalents, and restricted cash	479	26
Net increase in cash, cash equivalents, and restricted cash	18,165	27,521
Cash, cash equivalents, and restricted cash – beginning of period	73,318	40,834
Cash, cash equivalents, and restricted cash– end of period	$ 91,483	$ 68,355
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ -	$ 2,709
Income taxes	$ 759	$ -
Non-cash financing and investing activities:		
Convertible debt conversion to common stock	$ 200	$ 300
Convertible debt conversion to preferred stock	$ -	$ 4,297
Interest accrual from convertible debt converted to preferred stock	$ -	$ 2,271
Interest accrual from convertible debt converted to common stock	$ -	$ 3

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

RYVYL, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business

Organization

RYVYL Inc. is a financial technology company that develops, markets, and sells innovative blockchain-based payment solutions, which offer significant improvements for the payment solutions marketplace. The Company's core focus is developing and monetizing disruptive blockchain-based applications, integrated within an end-to-end suite of financial products, capable of supporting a multitude of industries. The Company's proprietary, blockchain-based systems are designed to facilitate, record, and store a limitless volume of tokenized assets, representing cash or data, on a secured, immutable blockchain-based ledger.

Name Change

On May 3, 2018, PubCo formally changed its name to GreenBox POS LLC, then subsequently changed its name to GreenBox POS on December 13, 2018. On October 13, 2022 GreenBox POS changed its name to RYVYL Inc. Unless the context otherwise requires, all references to "the Company," "we," "our", "us" and "PubCo" refer collectively to RYVYL Inc. and its subsidiaries. Unless the context otherwise requires, all references to "PrivCo" or the "Private Company" refer to GreenBox POS LLC, a limited liability company, formed in the state of Washington.

2. Summary of Significant Accounting Policies

Going Concern

In February 2024, the Company transitioned its QuickCard product in North America away from terminal-based to app-based processing. This transition was driven by a change in our banking partner that was prompted by recent changes in the compliance environment and banking regulations impacting certain niche high-risk business verticals, which were the predominant revenue driver for QuickCard. The recovery of revenues associated with this product transition has been impacted by continuous changes in the regulatory environment and our previous banking relationships, which led management to make the decision, during the second quarter of 2024, to terminate the rollout of the app-based product in certain niche high-risk business verticals. To address this change, the Company recently introduced a licensing product for its payments processing platform, which will enable it to serve the same customer base in such verticals through a business partner with more suitable banking compliance capabilities. Revenues from the new licensing product are not expected to materialize until early 2025. These developments have led to a significant decline in revenues in the Company's North America segment since the first quarter of 2024.

The decline in revenues has adversely impacted the Company's liquidity in the short term, within the North America segment. As a result, management has determined that the Company's cash and cash equivalents as of September 30, 2024 are not sufficient to fund the North America segment's operations and capital needs for the next 12 months from the issuance of this Report. As a result, substantial doubt exists about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is contingent upon the successful execution of management's intended plan over the next twelve months to improve the liquidity of its North America segment, which includes, without limitation:

- continued execution of its accelerated business development efforts to drive volumes in diversified business verticals with the Company's other products, including the recently launched licensing of the Company's payments processing platform in certain niche high-risk business verticals;
- continued implementation of cost control measures to more effectively manage spending in the North America segment and right sizing the organization, where appropriate;
- the sale of certain noncore assets; and
- repatriation of offshore profits from the Company's European subsidiaries, whose continued accelerated growth and generation of positive cash flow have already provided, and will continue to provide an immediate and viable short-term source of capital during this product transition. As of the date of the issuance of this Report, the Company has repatriated approximately $12.8 million from Europe.

Management has assessed that its intended plan described above, if successfully implemented, is appropriate and sufficient to address the liquidity shortfall in its North America segment and provide sufficient funds to cover operations for the next 12 months from the date of issuance of this Report. However, there can be no guarantee that we will be successful in implementing our plan, that our projections of our future capital needs will prove accurate, or that any additional funding will be sufficient to continue our operations in the North America segment. The unaudited consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. The report of the Company's independent auditor on the consolidated financial statements for the year ended December 31, 2023 contains an explanatory paragraph referring to a substantial doubt concerning the Company's ability to continue as a going concern.

Basis of Presentation and Consolidation

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. All intercompany transactions and balances have been eliminated in the accompanying interim consolidated financial statements.

Unaudited Interim Financial Information

Certain information and footnote disclosures normally included in the Company's annual audited financial statements and accompanying notes have been condensed or omitted in this accompanying interim consolidated financial statements and footnotes. Accordingly, the accompanying interim consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on March 26, 2024 (the "2023 Annual Report").

In the opinion of management, these unaudited interim consolidated financial statements include all adjustments and accruals, consisting only of normal, recurring adjustments that are necessary for a fair statement of the results of all interim periods reported herein. The results of the interim periods are not necessarily indicative of the results expected for the full fiscal year or any other interim period or any future year or period.

Use of Estimates

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

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial position, results of operations or cash flows.

Reverse Stock Split

On September 6, 2023, the Company filed a certificate of amendment to its amended and restated certificate of incorporation with the Secretary of State of the State of Nevada to effect a 1-for-10 reverse stock split (the "Reverse Stock Split") of the Company's shares of common stock, par value $0.001 per share (the "common stock"). Such amendment and ratio were previously approved by the board of directors. Under Nevada Revised Statutes Section 78.207, stockholder approval of the Reverse Stock Split was not required because (i) both the number of authorized shares of the common stock and the number of issued and outstanding shares of the common stock were proportionally reduced as a result of the Reverse Stock Split; (ii) the Reverse Stock Split did not adversely affect any other class of stock of the Company; and (iii) the Company did not pay money or issue scrip to stockholders who would otherwise be entitled to receive a fractional share as a result of the Reverse Stock Split. As a result of the Reverse Stock Split, which was effective September 6, 2023, every ten shares of the Company's pre-reverse split outstanding common stock were combined and reclassified into one share of common stock. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split. Any fractional shares of common stock resulting from the Reverse Stock Split were rounded up to the nearest whole share. All stock options outstanding and common stock reserved for issuance under the Company's equity incentive plans outstanding immediately prior to the Reverse Stock Split were adjusted by dividing the number of affected shares of common stock by ten and, as applicable, multiplying the exercise price by ten. All share numbers, share prices, exercise prices and per share amounts have been adjusted, on a retroactive basis to reflect this 1-for-10 Reverse Stock Split.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents primarily consist of cash on hand and cash on deposit with banks.

Restricted cash substantially consists of cash received from gateways for merchant transactions processed, which has yet to be distributed to merchants, Independent Sales Organizations ("ISOs") and their agents at the end of the period.

The gateways have strict policies pertaining to the scheduling of the release of funds to merchants based on several criteria that include, but are not limited to, return and chargeback history, associated risk for the specific business vertical, average transaction amount, etc. To mitigate potential credit losses associated with these risks, the gateways use these policies to determine reserve requirements and a payment in arrears strategy. While reserve and payment in arrears restrictions are in effect for a merchant payout, the Company records the reserved amounts against cash due from the gateways until the restriction is released.

Cash Due from Gateways, Net

The Company generates the majority of its revenue from payment processing services provided to its merchant clients. When a merchant makes a sale, the process of receiving the payment card information, engaging the banks for transferring the proceeds to the merchant's account via digital gateways, and recording the transaction on a blockchain ledger, are the activities for which the Company gets to collect fees. Cash due from gateways represent amounts due to the Company for transactions processed but not yet distributed by the gateways.

Payment Processing Liabilities

The Company's proprietary blockchain-based technology serves as the settlement engine for all transactions within the Company's ecosystem. The blockchain ledger provides a robust and secure platform to log large volumes of immutable transactional records in real time. In summary, a blockchain is a distributed ledger that uses digitally encrypted keys to verify, secure and record details of each transaction conducted within an ecosystem. Unlike general blockchain-based systems, the Company uses proprietary, private ledger technology to verify every transaction conducted within the Company's ecosystem. The verification of transaction data comes from trusted partners, all of whom have been extensively vetted by the Company. The Company facilitates all financial elements of its closed-loop ecosystem, and it acts as the administrator for all related accounts. Using the Company's TrustGateway technology, the Company seeks authorization and settlement for each transaction from gateways to the issuing bank responsible for the credit/debit card used in the transaction. When a gateway settles the transaction, the Company's TrustGateway technology composes a chain of blockchain instructions to the Company's ledger manager system.

When consumers use their credit or debit cards to pay for transactions with merchants who use our ecosystem, the transaction starts with the consumer funding their virtual wallets with an amount that is equal to the cost of the good or service they intend to purchase from the merchant. Once this occurs, the Company transfers the respective funds to the merchant's virtual wallet, after which the merchant releases its goods or services to the consumer. These transfers take place instantaneously and seamlessly, allowing the transaction experience to seem like any other ordinary credit or debit card transaction to the consumer and merchant.

While the Company's blockchain ledger records transaction details instantaneously, the final cash settlement of each transaction can take days to weeks, depending upon contract terms between the Company and the gateways the Company uses, between the Company and its ISOs, and between the Company and/or its ISOs and merchants who use the Company's services. In the case where the gateways have not yet remitted funds to the Company pertaining to transactions already processed, the Company records those amounts as cash due from gateways, net – a current asset. Concurrently, the Company records a portion of the cash due from gateways as revenue and the remaining balance, which is due to merchants and ISOs, as payment processing liabilities, net – a current liability. The balance included in payment processing liabilities, net in the consolidated balance sheets is equal to the sum of amounts due to merchants and ISOs related to the aforementioned unsettled transactions and the amounts due to merchants and ISOs on already settled transactions that these merchants and ISOs have not yet redeemed in the blockchain.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The Company generates the majority of its revenue from payment processing services. Payment processing services revenue is typically based on a percentage of the value of each transaction processed and/or upon fixed amounts specified per each transaction or service. The Company satisfies its performance obligations and, therefore, recognizes the processing fees as revenue at a point in time, upon the authorization of a merchant sale transaction.

Research and Development Costs

Research and development costs primarily consist of salaries and benefits for research and development personnel and outsourced contracted services, as well as associated supplies and materials. These costs are expensed as incurred.

Internal-use Software Development Costs

Internal-use software development costs consist of the costs related to outsourced consultants who are directly associated with and who devote time to creating and enhancing internally developed software for the Company's platforms. Internal-use software development activities generally consist of three stages: (i) the preliminary project stage, (ii) the application development stage, and (iii) the postimplementation-operation stage. In accordance with Accounting Standards Codification ("ASC") 350-40, *Internal Use Software*, costs incurred in the preliminary and postimplementation-operation stages of software development are expensed as incurred. Costs incurred in the application development stage, including significant enhancements and upgrades, are capitalized. Capitalized internal-use software development costs are included within property and equipment, net on the unaudited condensed consolidated balance sheets, and are amortized on a straight-line basis over an estimated useful life of three years upon the software or additional features being ready for their intended use.

Accounts Receivable, Net

Accounts receivable consist of amounts recorded in connection with the sale of payment processing terminals and related accessories. Accounts receivable are recorded at invoiced amounts, net of an allowance for credit losses, and do not bear interest. In accordance with Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (ASC 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")*, the Company measures its allowance for credit losses using an expected credit loss model that reflects the Company's current estimate of expected credit losses inherent in the enterprise and the accounts receivable balance. In determining the expected credit losses, the Company considers its historical loss experience, the aging of its accounts receivable balance, current economic and business conditions, and anticipated future economic events that may impact collectability. The Company reviews its allowance for credit losses periodically and, as needed, amounts are written-off when determined to be uncollectible. As of September 30, 2024 and December 31, 2023, the allowance for credit losses was immaterial.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets primarily consist of inventory and short term deposits made by our European subsidiaries with credit card companies.

Property and Equipment, Net

Property and equipment primarily consist of computer equipment, leasehold improvements, and furniture and fixtures. Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to eight years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related asset. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Fair Value Measurements

The Company applies fair value accounting for assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. Fair value is defined as the price received to sell an asset or paid to transfer a liability in the principal market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820, *Fair Value Measurements,* establishes a three-level hierarchy priority for disclosure of assets and liabilities recorded at fair value. The ordering of priority reflects the degree to which objective prices in external active markets are available to measure fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The three levels in the hierarchy are as follows:

- Level 1 – Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 – Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that cannot be directly corroborated by observable market data and that typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company measures its convertible note and related derivative liability at fair value. The Company classifies these liabilities as Level 3 of the fair value hierarchy, as fair values are estimated using models that use both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Goodwill and Intangible Assets

Goodwill is recorded when the consideration paid for the acquisition of a business exceeds the fair value of the identifiable net tangible and intangible assets acquired. ASC 350-20, *Intangibles—Goodwill and Other—Goodwill,* requires companies to assess goodwill for impairment annually or more frequently if indicators of impairment exist. Testing goodwill for impairment is performed at the reporting unit level, using a two-step test, and requires companies to compare the fair value of a reporting unit with its carrying amount, including goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds its fair value. ASC 350-20 also provides for an optional qualitative assessment for testing goodwill for impairment that enables companies to skip the two-step test if it is determined that it is more likely than not (i.e., a likelihood of greater than 50%) that the fair value of a reporting unit is greater than its carrying amount.

The Company's policy is to perform its annual impairment test of goodwill as of December 31 of each fiscal year or more frequently if indicators of impairment are identified. Based on the most recent impairment assessment, performed as of June 30, 2024, the Company previously recorded an impairment charge of $6.7 million or one hundred percent (100%) of the goodwill balance related to its North America operating unit. For the quarter ended September 30, 2024, no impairment indicators were identified that would warrant an updated impairment assessment and, as such, no additional adjustment to the remaining carrying value of goodwill was required.

Intangible assets consist of acquired customer relationships and business intellectual properties. In accordance with ASC 350-30, *Intangibles—Goodwill and Other—General Intangibles Other than Goodwill*, the Company's intangible assets are amortized over their estimated useful lives, ranging from two to five years, using the straight-line method. Intangible assets amortized under ASC 350-30 must be reviewed for impairment when indicators of impairment are present, in accordance with ASC 360-10. Based on Management's most recent impairment assessment, it was determined that the carrying value of the Company's intangible assets are recoverable as of September 30, 2024.

Leases

The Company leases office space under non-cancellable operating leases with various expiration dates. The Company determines whether an arrangement is a lease for accounting purposes at contract inception. Operating leases are recorded as right-of-use ("ROU") assets, which are included within noncurrent assets, and lease liabilities, which are included within current and noncurrent liabilities on our consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received, where applicable. The interest rate used to determine the present value of the future lease payments is the Company's incremental borrowing rate because the interest rate implicit in the Company's leases is not readily determinable. The Company's incremental borrowing rate is estimated to approximate the interest rate that the Company would pay to borrow on a collateralized basis with similar terms and payments as the lease, and in economic environments where the leased asset is located. Certain leases require the Company to pay taxes, maintenance, and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities. These lease costs are recognized as lease expenses when incurred.

The Company evaluates ROU assets related to leases for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of a ROU asset may not be recoverable. When a decision has been made to exit a lease prior to the contractual term or to sublease that space, the Company evaluates the asset for impairment and recognizes the associated impact to the ROU asset and related expense, if applicable. The evaluation is performed at the asset group level initially and when appropriate, at the lowest level of identifiable cash flows, which is at the individual lease level. Undiscounted cash flows expected to be generated by the related ROU assets are estimated over the ROU assets' useful lives. If the evaluation indicates that the carrying amount of the ROU assets may not be recoverable, any potential impairment is measured based upon the fair value of the related ROU asset or asset group as determined by appropriate valuation techniques.

Foreign Currency

Assets and liabilities of our foreign subsidiaries are translated into the reporting currency using the exchange rates in effect on the consolidated balance sheet dates. Equity accounts are translated at historical rates, except for the change in retained earnings during the period, which is the result of the income statement translation process. Revenue and expense accounts are translated using the weighted average exchange rate during the period. The cumulative translation adjustments associated with the net assets of foreign subsidiaries are recorded in accumulated other comprehensive income in the accompanying interim consolidated statements of stockholders' equity.

Stock Based Compensation

Stock-based compensation expense relates to restricted stock awards ("RSAs") and stock options granted to employees and non-employee directors under the Company's equity incentive plans, which are measured based on the grant-date fair value. The fair value of RSAs is determined by the closing price of the Company's common stock on the grant date. The fair value of stock options is estimated on the date of grant using the Black-Scholes-Merton option valuation model. Generally, stock-based compensation expense is recorded on a straight-line basis over the requisite service period. The Company accounts for forfeitures as they occur.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, net of operating loss carry forwards and credits, by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion of or all the deferred tax assets will not be realized. Judgment is required in determining and evaluating income tax provisions and valuation allowances for deferred income tax assets. We recognize an income tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Current income taxes are provided for in accordance with the laws of the relevant taxing authorities. As of September 30, 2024 and December 31, 2023, the Company has a full valuation allowance on its deferred tax assets.

Net Loss Per Share

The Company's basic net loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period without consideration of potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss available to common shareholders by the weighted-average number of shares of common stock outstanding, adjusted for the dilutive effect of all potential shares of common stock. For the three and nine-month periods ended September 30, 2024 and 2023, the Company's diluted net loss per share is the same as the basic net loss per share, since there are no common stock equivalents outstanding that would have a dilutive effect.

Segment Reporting

The Company determines its reportable segments based on how its Chief Operating Decision Maker ("CODM") manages the business, makes operating decisions around the allocation of resources, and evaluates operating performance. Our CODM is our Chief Executive Officer and we have identified two reportable segments: North America and International. These segments represent the components of the Company for which separate financial information is available that is utilized on a regular basis by the CODM to assess segment performance, set strategic goals, and allocate the Company's resources. The primary financial measure used by the CODM to evaluate the performance of its segments and allocate resources to them is operating income or (loss).

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended by subsequently issued ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, 2020-02, 2020-03 and 2022-02 (collectively, "Topic 326"). Topic 326 requires entities to utilize a new impairment model known as the current expected credit loss ("CECL") model for certain financial assets held at the reporting date. The CECL model requires entities to estimate lifetime "expected credit loss" amounts and record them as an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. The guidance also amends the impairment model for available for sale debt securities and requires entities to determine whether all or a portion of the unrealized loss on such debt security is a credit loss. The Company adopted the updates as of January 1, 2023, with no material impact on its consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, "*Business Combinations (ASC 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*," which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "*Revenue from Contracts with Customers*," as if the acquirer had originated the contracts. Under current accounting standards, contract assets and contract liabilities acquired in a business combination are to be recorded at fair value using the ASC 805 measurement principle. ASU 2021-08 is effective for fiscal years and interim reporting periods within those fiscal years beginning after December 15, 2022. The adoption of ASU 2021-08, effective January 1, 2023, did not have an impact on the financial condition, results of operations, cash flows and disclosures of the Company.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06")*. ASU 2020-06 aims to simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. ASU 2020-06 also simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity and amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. Early adoption is permitted for fiscal years beginning after December 15, 2020. For SEC filers, excluding smaller reporting companies, ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods therein. The adoption of ASU 2020-06, effective January 1, 2024, did not have an impact on the financial condition, results of operations, cash flows and disclosures of the Company.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280)*: *Improvements to Reportable Segment Disclosures*. The amended guidance requires incremental reportable segment disclosures, primarily about significant segment expenses. The amendments also require entities with a single reportable segment to provide all disclosures required by these amendments, and all existing segment disclosures. The amendments will be applied retrospectively to all prior periods presented in the financial statements and is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact this amended guidance may have on the footnotes to its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60)*: *Accounting for and Disclosure of Crypto Assets*. This amended guidance requires fair value measurement of certain crypto assets each reporting period with the changes in fair value reflected in net income. The amendments also require disclosures of the name, fair value, units held, and cost bases for each significant crypto asset held and annual reconciliations of crypto asset holdings. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2024, with early adoption permitted. We are required to apply these amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is adopted. The adoption of this guidance is not expected to have an impact on our consolidated financial statements, as we currently do not hold any crypto assets.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amended guidance enhances income tax disclosures primarily related to the effective tax rate reconciliation and income taxes paid information. This guidance requires disclosure of specific categories in the effective tax rate reconciliation and further information on reconciling items meeting a quantitative threshold. In addition, the amended guidance requires disaggregating income taxes paid (net of refunds received) by federal, state, and foreign taxes. It also requires disaggregating individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than five (5) percent of total income taxes paid (net of refunds received). The amended guidance is effective for fiscal years beginning after December 15, 2024. The guidance can be applied either prospectively or retrospectively. The Company is currently in the process of evaluating the impact this amended guidance may have on the footnotes to our consolidated financial statements.

3. Acquisitions

Logicquest Technology, Inc.

In April 2023, the Company executed a purchase agreement for 99.4 million shares of restricted common stock of Logicquest Technology, Inc., a Nevada corporation ("Logicquest") representing ownership of 99.1% of Logicquest, 48 shares of Series C Convertible Non-Redeemable Preferred Stock of Logicquest, and 10 shares of Series D Convertible Non-Redeemable Preferred Stock of Logicquest, in exchange for an aggregate purchase price of $225,000. Logicquest was a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") quoted on the Over-the-Counter Pink Open Market under the symbol "LOGQ" and is required to file reports and other information with the SEC pursuant to the Exchange Act. In June 2023, the Company merged the assets of Coyni, Inc., a wholly-owned subsidiary of the Company, and Logicquest, with Logicquest as the surviving entity. Subsequently, Logicquest changed its name to Coyni, Inc. ("Coyni PubCo"). In the fourth quarter of 2023, the Company amended the share purchase agreement to reflect 98 million shares of restricted common stock of Logicquest, 48 shares of Series C Convertible Non-Redeemable Preferred Stock of Logicquest, and 10 shares of Series D Convertible Non-Redeemable Preferred Stock of Logicquest, in exchange for an aggregate purchase price of $225,000. In accordance with ASC 805, this transaction was accounted for as an asset acquisition and the acquired assets are included in the consolidated financial statements of the Company as of September 30, 2024.

As previously disclosed, the Company originally intended to transfer the Coyni platform assets, which are owned by the Company, into Coyni PubCo, and subsequently spin-off Coyni PubCo into a new publicly traded entity. However, we subsequently determined that it was in the best interest of the Company and its shareholders to retain the Coyni Platform at the Company to expand payment processing and banking-as-a-service solutions. As such, management no longer plans to pursue a spin-off of Coyni PubCo.

Merchant Payment Solutions LLC

In November 2021, the Company executed a term sheet to acquire certain Automated Clearing House ("ACH") business of Merchant Payment Solutions LLC ("MPS"). Upon execution of the term sheet, the Company made a refundable earnest money deposit in the amount of $725,000 toward the total purchase price. After conducting due diligence, the Company elected to terminate the term sheet on April 21, 2023. In June 2023, the Company and MPS agreed to finalize a Portfolio Purchase Agreement ("Purchase Agreement"). Pursuant to the Purchase Agreement, the Company acquired the ACH portfolio of MPS for $725,000. In accordance with ASC 805, this transaction was accounted for as an asset acquisition.

4. Property and Equipment, Net

The following table details property and equipment, less accumulated depreciation (dollars in thousands):

	September 30, 2024	December 31, 2023
Computers and equipment	$ 258	$ 276
Furniture and fixtures	152	152
Improvements	186	171
Internal-use software development	1,101	-
Total property and equipment	1,697	599
Less: accumulated depreciation	(397)	(293)
Net property and equipment	$ 1,300	$ 306

Depreciation expense was $0.13 million and $0.04 million for the three-month periods ended September 30, 2024, and 2023, respectively, and $ 0.36 million and $0.11 million for the nine-month periods ended September 30, 2024 and 2023, respectively.

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5. Goodwill

The following table summarizes goodwill activity by reportable segment (dollars in thousands):

	North America	International	Consolidated
Goodwill - December 31, 2023	$ 6,675	$ 20,078	$ 26,753
Goodwill Acquired	-	-	-
Goodwill Impairment	(6,675)	-	(6,675)
Adjustments (1)	-	240	240
Goodwill – September 30, 2024	$ -	$ 20,318	$ 20,318

(1) The adjustments to goodwill pertain to foreign currency translation adjustments, totaling positive $ 0.85 million and positive $0.24 million during the three and nine-month periods ended September 30, 2024.

6. Intangible Assets, Net

The following table details acquired intangible assets (dollars in thousands):

		September 30, 2024			December 31, 2023		
Intangible Assets	Amortization Period	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Customer relationships	2-5 years	$ 7,812	$ (5,190)	2,622	$ 7,812	$ (4,100)	$ 3,712
Business technology/IP	5 years	2,767	(1,713)	1,054	2,675	(1,328)	1,347
Total intangible assets		$ 10,579	$ (6,903)	3,676	$ 10,487	$ (5,428)	$ 5,059

Amortization expense was $0.5 million and $0.6 million for the three months ended September 30, 2024 and 2023, respectively, and $ 1.5 million and $1.8 million for the nine-month periods ended September 30, 2024 and 2023, respectively.

The estimated amortization expense related to intangible assets as of September 30, 2024 is as follows (dollars in thousands):

Year	Amount
2024 (remainder)	$ 465
2025	1,862
2026	1,082
2027	167
2028	91
Thereafter	9
Total	$ 3,676

7. Accrued Liabilities

The following table details the balance in accrued liabilities (dollars in thousands):

	September 30, 2024	December 31, 2023
Accrued gateway fees	$ 22	$ 2,356
Payroll related accruals	1,540	1,235
Accrued legal and professional fees	2,850	1,342
Accrued taxes	295	528
Accrued legal settlement	1,598	-
Other	1,264	294
Total accrued liabilities	$ 7,569	$ 5,755

8. Long-Term Debt, Net

The following table summarizes the Company's debt (dollars in thousands):

	September 30, 2024	December 31, 2023
$100,000,000 8% senior convertible note, due April 5, 2026	$ 19,000	$ 19,200
Less: Unamortized debt discount	(1,899)	(3,906)
Net carrying value	17,101	15,294
$149,900 Economic Injury Disaster Loan (EIDL), interest rate of 3.75%, due June 1, 2050	142	146
$500,000 EIDL, interest rate of 3.75%, due May 8, 2050	478	487
Total debt	17,721	15,927
Less: current portion	(15)	(15)
Long-term debt, net	$ 17,706	$ 15,912

Senior Convertible Note

On November 8, 2021, the Company sold and issued, in a registered direct offering, an 8% Senior convertible note, originally due November 3, 2023, and subsequently extended to April 5, 2026, in the aggregate original principal amount of $100 million (the "Note"). The Note had an original issue discount of sixteen percent (16%) resulting in gross proceeds of $84 million. The Note was sold pursuant to the terms of a Securities Purchase Agreement, dated November 2, 2021 (the "SPA"), between the Company and the investor in the Note (the "Investor").

The Note was issued on November 8, 2021, pursuant to an indenture dated November 2, 2021 between us and Wilmington Savings Fund Society, FSB, as trustee (the "Base Indenture"), as supplemented by a first supplemental indenture thereto, dated November 2, 2021, relating to the Note (the "First Supplemental Indenture" and the Base Indenture as supplemented by the First Supplemental Indenture, the "First Indenture"). The terms of the Note include those provided in the First Indenture and those made part of the First Indenture by reference to the Trust Indenture Act.

First Exchange Agreement

On July 25, 2023, the Company entered into an Exchange Agreement (the "First Exchange Agreement") under which the Company and the Investor agreed to exchange (the "Series A Exchanges"), in two separate exchanges, an aggregate of $22.703 million of the outstanding principal and interest under the Note for 15,000 shares of a newly authorized series of preferred stock of the Company designated as Series A Preferred Convertible Stock (the "Series A Preferred Stock"), the terms of which are set forth in a Certificate of Designations of Rights and Preferences of Series A Convertible Preferred Stock of RYVYL Inc. (the "Series A Certificate of Designations"), which the Company filed with the Nevada Secretary of State prior to the initial issuance of the Series A Preferred Stock. The Series A Preferred Stock is further described in Note 10, *Convertible Preferred Stock*. As part of the First Exchange Agreement, the Company also agreed to allow for the conversion of up to an additional $9.0 million of principal (together with any accrued and unpaid interest thereon) of the Note at a conversion price equal to 97.5% of the lower of (x) the then in effect conversion price and (y) the lowest volume weighted average price of the Company's common stock during the five trading days immediately prior to such conversion; and the Investor agreed to waive any interest that would otherwise accrue on the Note during the period commencing on April 1, 2023 through, and including, December 31, 2023.

On July 31, 2023, pursuant to the terms of the First Exchange Agreement, the Company closed the initial exchange (the "Initial Series A Exchange") and issued 6,000 shares of Series A Preferred Stock in exchange for $ 4.3 million of the outstanding principal balance of the Note and $ 1.7 million of accrued interest. Additionally, upon satisfaction of all applicable closing conditions, including, without limitation, the Company having obtained any stockholder approval required for the consummation of the transactions and the issuance of the common stock issuable upon the conversion of all of the shares of Series A Preferred Stock (unless waived by the applicable other party), in the final exchange (the "Final Series A Exchange"), the parties agreed to exchange the remaining $16.7 million of outstanding principal balance subject to the Series A Exchanges for 9,000 shares of Series A Preferred Stock on a date mutually agreed to by the Company and the Investor. The Company determined that the parties' obligation to exchange the remaining $16.7 million of outstanding principal balances subject to the Series A Exchanges for 9,000 shares of Series A Preferred Stock in the Final Series A Exchange represents an embedded conversion feature that does not require bifurcation and separate valuation because it would not meet the definition of a derivative, if freestanding, under ASC 815, *Derivatives and Hedging ("ASC 815")*, as net settlement could not be achieved.

The Company analyzed the changes made to the Note under the First Exchange Agreement under ASC 470-50 to determine if extinguishment accounting was applicable. Under ASC 470-50-40-10, a modification or an exchange that adds or eliminates a substantive conversion option as of the conversion date is always considered substantial and requires extinguishment accounting. Since the First Exchange Agreement added a substantive conversion option, the Company determined that extinguishment accounting was applicable. In accordance with the extinguishment accounting guidance, the Company recorded a loss on extinguishment of $1.3 million which represents the difference between (a) the fair value of the modified Note and the 6,000 shares of Series A Preferred Stock issued in the Initial Series A Exchange and (b) the carrying amount of the Note and the fair value of the bifurcated embedded derivative immediately prior to giving effect to the First Exchange Agreement.

Second Exchange Agreement

Under the terms of the First Exchange Agreement, a final closing was to be held upon which the Investor was to exchange an additional $ 16.703 million of principal of the Note into 9,000 shares of Series A Preferred Stock (the “Unissued Series A Preferred Stock”) which shares of Unissued Series A Preferred Stock were convertible into shares of common stock, in accordance with the terms of the Series A Certificate of Designations.

On November 27, 2023, the Company entered into an Exchange Agreement (the “Second Exchange Agreement”) with the Investor under which the Company and the Investor agreed to exchange (the “Series B Exchange”), (i) all of the existing shares of Series A Preferred Stock issued to the Investor in the Initial Series A Exchange, (ii) the right to exchange the shares of Unissued Series A Preferred Stock for an additional $16.703 million of principal of the Note, and (iii) $60.303 million of the outstanding principal under the Note for 55,000 shares of a newly authorized series of preferred stock of the Company designated as Series B Preferred Convertible Stock (the “Series B Preferred Stock,” and collectively with the Series A Preferred Stock, the “Preferred Stock”), the terms of which are set forth in a Certificate of Designations of Rights and Preferences of Series B Convertible Preferred Stock of RYVYL Inc. (the “Series B Certificate of Designations”), which the Company filed with the Nevada Secretary of State prior to the initial issuance of any shares of Series B Preferred Stock. The Series B Preferred Stock is further described in Note 10, *Convertible Preferred Stock*. As additional consideration for the Series B Exchange, the Company has also agreed to make a cash payment to the Investor in the amount of $3.0 million. As part of the Second Exchange Agreement, the Investor also agreed to forbear from requiring the repayment of the Note (to the extent such repayment obligation arises solely as a result of the occurrence of the maturity date and not with respect to any event of default or redemption rights in the Note or pursuant to the Indenture (as such term is defined in the Second Exchange Agreement)) during the period commencing on November 5, 2024 through, and including, April 5, 2025; and to extend the waiver of payment of interest under the Note through July 1, 2024.

The Company analyzed the changes made to the Note under the Second Exchange Agreement under ASC 470-50 to determine if extinguishment accounting was applicable. Under ASC 470-50-40-10, a modification or an exchange that adds or eliminates a substantive conversion option as of the conversion date is always considered substantial and requires extinguishment accounting. Since the Second Exchange Agreement eliminated a substantive conversion option (the parties’ obligation to exchange the remaining $16.7 million of outstanding principal balances subject to the Series A Exchanges for 9,000 shares of Series A Preferred Stock in the Final Series A Exchange), the Company determined that extinguishment accounting was applicable. In accordance with the extinguishment accounting guidance, the Company recorded a loss on extinguishment of $22.5 million which represents the difference between (a) the fair value of the modified Note, the fair value of the 55,000 shares of Series B Preferred Stock issued in the Series B Exchange, and the $3.0 million cash payment made to the Investor, and (b) the carrying amount of the Note, the fair value of the bifurcated embedded derivative immediately prior to giving effect to the Second Exchange Agreement, and the fair value of the existing shares of Series A Preferred Stock issued to the Investor in the Initial Series A Exchange forfeited to the Company by the Investor.

On November 29, 2023, the Company closed the Series B Exchange, pursuant to which the Company issued to the Investor 55,000 shares of Series B Convertible Preferred Stock and paid the Investor a cash payment in the amount of $3.0 million, in exchange for 6,000 shares of Series A Convertible Preferred Stock previously issued to the Investor, the right to exchange the shares of Unissued Series A Preferred Stock for an additional $16.7 million of principal of the Note, and the reduction of principal of the Note in the aggregate amount of $ 60.3 million.

Forbearance Agreement

On May 17, 2024, the Company entered into a Forbearance Agreement (the “Forbearance Agreement”) with the Investor pursuant to which the Investor, in consideration for the Company’s cash payment in the amount of $80,000 as an advance payment of a portion of the next interest payment, in the estimated amount of $380,000, due and payable under the Note on October 1, 2024, agreed to further forbear from requiring the repayment of the Note (to the extent such repayment obligation arises solely as a result of the occurrence of the maturity date and not with respect to any event of default or redemption rights in the Note or pursuant to the Indenture) during the period commencing on April 5, 2025 through, and including, April 5, 2026. The Company analyzed the changes made to the Note under the Forbearance Agreement under ASC 470-60 to determine if the transaction qualified as a troubled debt restructuring. For a debt restructuring to be considered troubled, the debtor must be experiencing financial difficulties and the creditor must have granted a concession. The Company considered the indicators of financial difficulties provided in ASC 470-60 and determined that one or more indicators were present at the time the Forbearance Agreement was entered into, such as the existence of substantial doubt about the Company’s ability to continue as a going concern. Furthermore, the Company determined that the effective borrowing rate on the Note decreased as a result of the changes made to the Note under the Forbearance Agreement and, as such, the Investor granted a concession on the debt. As a result, the changes made to the Note under the Forbearance Agreement were accounted for as a troubled debt restructuring. However, no restructuring gain or corresponding adjustment to the carrying amount of the Note was recorded because the net carrying amount of the Note at the time the Forbearance Agreement was entered into was less than the total undiscounted future principal and interest payments of the restructured Note. The $80,000 cash payment made to the Investor in connection with the Forbearance Agreement was treated as a lender fee and expensed as incurred under the troubled debt restructuring model.

During the year ended December 31, 2022, the Investor converted $8.55 million of the outstanding principal balance into 598,695 shares of the Company’s common stock at a weighted average conversion price of $1.43. In addition, the Company paid the Investor $ 6.9 million in January 2022 in exchange for cancellation of $6.0 million of the outstanding principal balance. During the year ended December 31, 2023, the Investor converted $1.65 million of the outstanding principal balance into 606,187 shares of the Company’s common stock at a weighted average conversion price of $1.18. There were no conversions of outstanding principal into shares of the Company’s common stock during the three months ended September 30, 2024.

Ranking

The Note is the senior unsecured obligation of the Company and not the financial obligation of our subsidiaries. Until such date as the principal amount of the Note is $5 million or less, all payments due under the Note will be senior to all other indebtedness of the Company and/or any of its subsidiaries.

Maturity Date

Under its original terms, unless earlier converted, or redeemed, the Note was to mature on November 3, 2023, the second anniversary of the issuance date, which we refer to herein as the “Maturity Date,” subject to the right of the Investor to extend the date:

(i) if an event of default under the Note has occurred and is continuing (or any event shall have occurred and be continuing that with the passage of time and the failure to cure would result in an event of default under the Note) and

(ii) for a period of 20 business days after the consummation of a fundamental transaction if certain events occur.

We are required to pay, on the Maturity Date, all outstanding principal, accrued and unpaid interest and accrued and unpaid late charges on such principal and interest, if any.

As part of the Restructuring Agreement entered into with the Investor on August 16, 2022 (the “Restructuring Agreement”), the Company obtained a forbearance of the Maturity Date from November 5, 2023 to November 5, 2024. As part of the Second Exchange Agreement entered into with the Investor on November 27, 2023, the Company obtained a further forbearance of the Maturity Date from November 5, 2024 to April 5, 2025. As part of the Forbearance Agreement entered into with the Investor on May 17, 2024, the Company obtained a further forbearance of the Maturity Date from April 5, 2025 to April 5, 2026.

Interest

The Note bears interest at the rate of 8% per annum which (a) shall commence accruing on the date of issuance, (b) shall be computed on the basis of a 360-day year and twelve 30-day months and (c) shall be payable in cash quarterly in arrears on the first trading day of each calendar quarter or otherwise in accordance with the terms of the Note. If the holder elects to convert or redeem all or any portion of the Note prior to the Maturity Date, all accrued and unpaid interest on the amount being converted or redeemed will also be payable. If we elect to redeem all or any portion of the Note prior to the Maturity Date, all accrued and unpaid interest on the amount being redeemed will also be payable. The interest rate of the Note will automatically increase to 15% per annum upon the occurrence and continuance of an event of default (See "*Events of Default*" below).

Subject to the satisfaction of certain equity conditions, the terms of the Restructuring Agreement require the holder to voluntarily convert certain interest payments when due under the Note at 95% of the lower of (i) the then in effect conversion price and (ii) the lowest volume weighted average price of our common stock during the five trading days immediately prior to such conversion.

As part of the First Exchange Agreement, the Investor agreed to waive any interest that would otherwise accrue on the Note during the period commencing on April 1, 2023 through, and including, December 31, 2023. As part of the Second Exchange Agreement, the Investor agreed to extend the waiver of payment of interest under the Note through July 1, 2024.

Late Charges

The Company is required to pay a late charge of 15% on any amount of principal or other amounts that are not paid when due.

Conversion

Fixed Conversions at Option of Holder

The holder of the Note may convert all, or any part, of the outstanding principal and interest of the Note, at any time at such holder's option, into shares of our common stock at an initial fixed conversion price, which is subject to:

- proportional adjustment upon the occurrence of any stock split, stock dividend, stock combination and/or similar transactions; and
- full-ratchet adjustment in connection with a subsequent offering at a per share price less than the fixed conversion price then in effect.

Pursuant to the original terms of the Note, since during the fiscal quarter ending March 31, 2022, the Company (i) failed to process at least $750 million in transaction volume or (ii) had revenue that was less than $12 million, the Note's fixed conversion price then in effect exceeded the greater of (x) the Note's $1.67 floor and (y) 140% of the market price as of April 1, 2022 (the "Adjustment Measuring Price"), on April 1, 2022, the fixed conversion price automatically adjusted to the Adjustment Measuring Price.

As part of the Restructuring Agreement, the Company agreed to allow for the conversion of up to $4.5 million of principal (together with any accrued and unpaid interest thereon) of the Note at a conversion price equal to the lesser of (i) $2.40 and (ii) 97.5% of the lower of (x) the then in effect conversion price and (y) the lowest volume weighted average price of our common stock during the five trading days immediately prior to such conversion.

As part of the First Exchange Agreement, the Company agreed to allow for the conversion of up to an additional $9.0 million of principal (together with any accrued and unpaid interest thereon) of the Note at a conversion price equal to 97.5% of the lower of (x) the then in effect conversion price and (y) the lowest volume weighted average price of our common stock during the five trading days immediately prior to such conversion.

1-Year Alternate Optional Conversion

At any time following the first anniversary of the issuance date of the Note, but only if the closing bid price of our common stock on the immediately prior trading day is less than $6.50, the holder of the Note shall have the option to convert, at such holder's option, pro rata, up to $30 million of the principal amount of the Note (in $250,000 increments) at the "alternate optional conversion price," which is equal to the lower of (i) the then in effect conversion price and (ii) the greater of (x).the Note's $1.67 floor price or (y) 98% of the market price on the conversion date.

Alternate Event of Default Optional Conversion

If an event of default has occurred under the Note, the holder may alternatively elect to convert the Note (subject to an additional 15% redemption premium) at the "alternate event of default conversion price" equal to the lesser of:

- the fixed conversion price then in effect; and

the greater of:

- the floor price; and
- 80% of the lowest volume weighted average price of our common stock during the five trading days immediately prior to such conversion.

Beneficial Ownership Limitation

The Note may not be converted, and shares of common stock may not be issued under the Note if, after giving effect to the conversion or issuance, the applicable holder of the Note (together with its affiliates, if any) would beneficially own in excess of 4.99% of the Company's outstanding shares of common stock, which is referred to herein as the "Note Blocker". The Note Blocker may be raised or lowered to any other percentage not in excess of 9.99% at the option of the applicable holder of the Note, except that any raise will only be effective upon 61 days' prior notice to us.

Change of Control Redemption Right

In connection with a change of control of the Company, the holder may require us to redeem in cash all, or any portion, of the Notes at a 15% redemption premium to the greater of the face value, the equity value of our Common Stock underlying the Note, and the equity value of the change of control consideration payable to the holder of our Common Stock underlying the Note.

The equity value of our Common Stock underlying the Note is calculated using the greatest closing sale price of our Common Stock during the period immediately preceding the consummation or the public announcement of the change of control and ending the date the holder gives notice of such redemption.

The equity value of the change of control consideration payable to the holder of our common stock underlying the Note is calculated using the aggregate cash consideration and aggregate cash value of any non-cash consideration per share of our common stock to be paid to the holders of our common stock upon the change of control.

Events of Default

Under the terms of the First Supplemental Indenture, the events of default contained in the Base Indenture shall not apply to the Note. Rather, the Note contains standard and customary events of default including but not limited to: (i) the suspension from trading or the failure to list the Company's common stock within certain time periods; (ii) failure to make payments when due under the Notes; and (iii) bankruptcy or insolvency of the Company.

If an event of default occurs, the holder may require us to redeem all or any portion of the Note (including all accrued and unpaid interest and late charges thereon), in cash, at a 15% redemption premium to the greater of the face value and the equity value of the Company's common stock underlying the Note.

The equity value of the Company's common stock underlying the Note is calculated using the greatest closing sale price of the Company's common stock on any trading day immediately preceding such event of default and the date the Company makes the entire payment required.

Company Optional Redemption Rights

At any time no event of default exists, the Company may redeem all, but not less than all, of the Note outstanding in cash all, or any portion, of the Note at a 5% redemption premium to the greater of the face value and the equity value of the Company's common stock underlying the Note.

The equity value of the Company's common stock underlying the Note is calculated using the greatest closing sale price of the Company's common stock on any trading day during the period commencing on the date immediately preceding such date the Company notifies the applicable holder of such redemption election and the date the Company makes the entire payment required.

The following is a rollforward of the senior convertible note balance (dollars in thousands):

Balance, December 31, 2020	$	-
Convertible debentures issued		100,000
Derivative liability		(21,580)
Original issue discount of 16%		(16,000)
Placement fees and issuance costs		(7,200)
Accretion and write-off of debt discount		3,435
Balance, net of unamortized debt discount of $41,345 - December 31, 2021		58,655
Repayments and conversion		(14,550)
Accretion and write-off of debt discount		16,996
Balance, net of unamortized debt discount of $24,349 - December 31, 2022		61,101
Repayments and conversion		(66,250)
Accretion and write-off of debt discount		20,443
Balance, net of unamortized debt discount of $3,906 - December 31, 2023		15,294
Conversion		(200)
Accretion and write-off of debt discount		2,007
Balance, net of unamortized debt discount of $1,899 – September 30, 2024	$	17,101

The Company recorded debt discount accretion expense of $0.3 million and $4.2 million for the three months ended September 30, 2024 and 2023, respectively and $2.0 million and $9.6 million for the nine months ended September 30, 2024 and 2023, respectively.

The Company incurred other interest expense of $ 0.3 million and $0.04 million for the three months ended September 30, 2024 and 2023, respectively and $0.32 million and $3.5 million for the nine months ended September 30, 2024 and 2023, respectively.

Derivative Liability

The senior convertible note contains embedded derivatives representing certain conversion features, redemption rights, and contingent payments upon the occurrence of certain events of default. The Company determined that these embedded derivatives required bifurcation and separate valuation.

The Company utilizes a binomial lattice model to value its bifurcated derivatives included in the note. ASC 815 does not permit an issuer to account separately for individual derivative terms and features embedded in hybrid financial instruments that require bifurcation and liability classification as derivative financial instruments. Rather, such terms and features must be combined and fair-valued as a single compound embedded derivative. The Company selected a binomial lattice model to value the compound embedded derivative because it believes this technique is reflective of all significant assumptions that market participants would likely consider in negotiating the transfer of the note. Such assumptions include, among other inputs, stock price volatility, risk-free rates, credit risk assumptions, early redemption and conversion assumptions, and the potential for future adjustment of the conversion price due to triggering events. Additionally, there are other embedded features of the note requiring bifurcation, other than the conversion features, which had no value at September 30, 2024 and December 31, 2023, due to management's estimates of the likelihood of certain events, but that may have value in the future should those estimates change.

The following is a rollforward of the derivative liability balance (dollars in thousands):

Balance, December 31, 2021	$	18,735
Change in fair value 2022		(18,480)
Balance, December 31, 2022		255
Increase in derivative liability upon extinguishment of debt		6,312
Change in fair value 2023		(6,548)
Balance, December 31, 2023		19
Change in fair value 2024		(14)
Balance, September 30, 2024	$	5

Small Business Association CARES Act Loans

On June 9, 2020, the Company entered into a 30-year loan agreement with the Small Business Association ("SBA") under the CARES Act in the amount of $149,900. The loan bears interest at 3.75% per annum and requires monthly principal and interest payments of $ 731 beginning June 9, 2021. Both the Chief Executive Officer and Chairman of the Company signed personal guarantees under this loan. As of September 30, 2024, the loan is not in default.

On May 8, 2020, Charge Savvy, a wholly-owned subsidiary of the Company, entered into a 27-year loan agreement with the SBA under its Economic Injury Disaster Loan ("EIDL") assistance program in the amount of $150,000. The loan bears interest at 3.75% per annum and required principal and interest payments of $731 beginning on May 8, 2021, which were subsequently deferred to November 8, 2022. On August 4, 2021, Charge Savvy was granted a loan increase in the amount of $350,000 on identical terms as the initial loan, for an aggregate loan amount of $ 500,000. Monthly principal and interest payments on the aggregate loan are $2,477 and began on November 8, 2022. Pursuant to the terms of Security Agreements executed in connection with this loan, the SBA was granted a security interest in all tangible and intangible personal property of Charge Savvy. As of September 30, 2024, the loan is not in default.

9. Convertible Preferred Stock

On July 31, 2023, the Company issued 6,000 shares of Series A Preferred Stock in exchange for $ 4.3 million of the outstanding principal balance of the 8% senior convertible note, currently due April 5, 2026 and $ 1.7 million of accrued interest pursuant to the First Exchange Agreement entered into with the investor in the senior convertible note on July 25, 2023. On November 29, 2023, the existing shares of Series A Preferred Stock issued to the investor were forfeited to the Company by the investor and the Company issued 55,000 shares of Series B Preferred Stock, along with a cash payment of $3.0 million, in exchange for $60.3 million of the outstanding principal balance of the senior convertible note pursuant to the Second Exchange Agreement entered into with the investor on November 27, 2023. See Note 9, *Long-Term Debt*, for further information. The Series A Preferred Stock had a stated value of $1,000 per share and a fair value of approximately $ 1,111 per share at issuance, as determined by a valuation performed by third-party experts. The Series B Preferred Stock has a stated value of $1,000 per share and a fair value of approximately $ 1,339 per share at issuance, as determined by a valuation performed by third-party experts.

Preferred Stock consisted of the following (dollars in thousands):

	September 30, 2024				
	Preferred Shares Authorized	**Preferred Shares Issued and Outstanding**	**Carrying Value**	**Liquidation Preference**	**Common Stock Issuable Upon Conversion**
Series A	15,000	-	$ -	$ -	$ -
Series B	55,000	53,950	72,226	62,043	17,347,267
Total Preferred Stock	70,000	53,950	$ 72,226	$ 62,043	$ 17,347,267

	December 31, 2023				
	Preferred Shares Authorized	**Preferred Shares Issued and Outstanding**	**Carrying Value**	**Liquidation Preference**	**Common Stock Issuable Upon Conversion**
Series A	15,000	-	$ -	$ -	$ -
Series B	55,000	55,000	73,631	63,250	17,684,888
Total Preferred Stock	70,000	55,000	$ 73,631	$ 63,250	$ 17,684,888

The holders of the Preferred Stock have the following rights and preferences:

Voting – The Preferred Stock has no voting power and the holders of Preferred Stock have no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock.

Dividends – The holders of Preferred Stock are entitled to receive dividends when and as declared by the Board of Directors, from time to time, in its sole discretion. Such dividends are not cumulative. No such dividends have been declared to date.

Liquidation – In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock shall be entitled to receive in cash out of the assets of the Company, prior and in preference to any distribution of the proceeds of such liquidation event to the holders of Series A Preferred Stock or common stock, an amount per share of Series B Preferred Stock equal to the greater of (A) 115% of the stated value of such share of Series B Preferred Stock plus all declared and unpaid dividends on such share of Series B Preferred Stock and (B) the amount per share such holder would receive if it converted such share of Series B Preferred Stock into common stock (at the Series B Alternate Conversion Price, as defined below, then in effect) immediately prior to the date of such payment. If at any time, there is more than one holder of the Series B Preferred Stock, and the proceeds thus distributed among the holders of the Series B Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amounts, then the entire proceeds legally available for distribution shall be distributed ratably among the holders in proportion to the full preferential amount that each such holder is otherwise entitled to receive.

Redemption – Upon a change of control of the Company (as defined in the Company's "Series B Certificate of Designations"), the holders of Series B Preferred Stock may require the Company to exchange their shares of Series B Preferred Stock for consideration, in the form of the securities or other assets to which holders of shares of common stock are entitled to receive with respect to or in exchange for their shares of common stock in such change of control, equal to the greatest of (i) 115% of the stated value of such share of Series B Preferred Stock plus all declared and unpaid dividends on such share of Series B Preferred Stock, (ii) 115% of the greatest closing sale price of the number of shares of common stock into which such share of Series B Preferred Stock could be converted (at the Series B Alternate Conversion Price, as defined below, then in effect) during the period beginning on the date immediately preceding the earlier to occur of (a) the consummation of the applicable change of control and (b) the public announcement of such change of control and ending on the date such holder delivers notice to the Company of its election, and (iii) the aggregate cash consideration and the aggregate cash value of any non-cash consideration per share of common stock that would be paid to the holder upon consummation of such change of control if it converted all of its shares of Series B Preferred Stock into common stock at the conversion price then in effect.

Conversion – Each share of Series B Preferred Stock is convertible, at the option of the holder, at any time after the date of issuance of such share, into shares of common stock either (i) at the fixed conversion price then in effect, which initially is $3.11 (subject to standard antidilution adjustments and adjustments as a result of subsequent issuances of securities where the effective price of the common stock is less than the then current fixed conversion price) or (ii) at the Series B Alternate Conversion Price, as defined below. The Series B Certificate of Designations also provides that in the event of certain "Triggering Events," any holder may, at any time, convert any or all of such holder's Series B Preferred Stock at a conversion rate equal to the product of (i) the Series B Alternate Conversion Price and (ii) 115% of the stated value of the Series B Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a failure to timely deliver shares of common stock, upon a conversion, (ii) a suspension of trading on the principal trading market or the failure to be traded or listed on the principal market for five days or more, (iii) the failure to pay any dividend to the holders of Series B Preferred Stock when required, (iv) the failure to remove restrictive legends when required, (v) the Company's default in payment of indebtedness in an aggregate amount of $2 million or more, (vi) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (vii) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $2.0 million. The "Series B Alternate Conversion Price" means the lower of (i) the applicable conversion price then in effect and (ii) the greater of (x) $0.62 and (y) 97.5% of the lowest volume weighted average price of the common stock during the five consecutive trading day period ending and including the trading day immediately preceding the delivery of the applicable conversion notice.

10. Income Taxes

The Company recorded income tax expense of approximately $0.6 million and $0.13 million for the three months ended September 30, 2024 and 2023, respectively and approximately $1.2 million and $0.14 million for the nine months ended September 30, 2024 and 2023, respectively. We estimate our annual effective income tax rate to be -4.04% for calendar year 2024, which is different from the U.S. federal statutory rate, primarily due to the Company's full valuation allowance position.

As of September 30, 2024, we have no material unrecognized tax benefits and we expect no material unrecognized tax benefits for the next 12 months.

11. Stock-Based Compensation

Equity Incentive Plans

The Company adopted the 2023 Equity Incentive Plan (“2023 Plan”) on November 2, 2023, which provides employees, directors, and consultants with opportunities to acquire the Company’s shares, or to receive monetary payments based on the value of such shares. Management has determined that it is in the best interests of the Company to replace the 2020 Incentive and Nonstatutory Stock Option Plan, the 2021 Incentive and Nonstatutory Stock Option Plan, and the 2021 Restricted Stock Plan, with one plan, the 2023 Plan, pursuant to which the Company will be able to grant stock option awards, stock appreciation rights, restricted stock awards, restricted stock units, and other stock-based awards. The 2023 Plan provides for up to 1,098,262 shares of common stock. Grants made under the 2023 Plan will generally vest and become exercisable at various times from the grant dates. These awards will have such vesting or other provisions as may be established by the Board of Directors at the time of each award.

Stock Option Activity

A summary of stock option activity for the nine months ended September 30, 2024 is as follows (dollars in thousands):

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2023	766,142	$ 3.76
Granted	-	N/A
Exercised	(11,999)	1.98
Cancelled/forfeited/expired	(148,580)	3.51
Outstanding at September 30, 2024	605,563	$ 4.21
Exercisable at September 30, 2024	232,233	$ 7.69

The aggregate intrinsic value for stock options exercised was $0.03 million during the nine months ended September 30, 2024. There were no stock options granted or exercised during the nine months ended September 30, 2023.

Restricted Stock Activity

A summary of RSA activity for the nine months ended September 30, 2024 is as follows (dollars in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2024	189,893	$ 2.28
Granted	86,932	2.80
Vested	(123,626)	3.23
Forfeited	-	
Unvested at September 30, 2024	153,199	$ 1.87

The total fair value of restricted shares that vested was $ 0.4 million and $0.8 million during the nine months ended September 30, 2024 and 2023, respectively.

12. Operating Leases

The Company leases office space under operating leases at four locations in the United States (California, Illinois, Massachusetts, and Florida) and one location in the European Union (Sofia, Bulgaria). The Company had no finance lease obligations as of September 30, 2024.

The Company’s operating lease expense totaled $0.3 million and $0.3 million for the three months ended September 30, 2024 and 2023, respectively. The Company’s operating lease expense totaled $1.0 million and $0.8 million for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, the weighted-average remaining lease term was 3.9 years and the weighted average discount rate was 11.1%.

Future minimum lease payments under our operating leases and reconciliation to the operating lease liability as of September 30, 2024, are as follows (in thousands):

Year Ending December 31,	Total
2024 (remainder)	$ 469
2025	1,179
2026	1,342
2027	1,046
2028	1,041
Total lease payments	5,077
Less: imputed interest	(1,112)
Present value of total lease payments	3,965
Less: current portion	(821)
Long-term lease liabilities	$ 3,144

13. Related Party Transactions

Family Relationships

The Company employs two of our CEO's brothers, Dan and Liron Nusonivich, who are paid approximately $ 200,000 and $110,000 per year, respectively. There are no family relationships between any of other directors or executive officers and any other employees or directors or executive officers.

The Company did not pay any commissions to the related parties mentioned above for the three and nine months ended September 30, 2024 and 2023.

14. Commitments and Contingencies

From time-to-time, the Company is involved in legal proceedings. The Company records a liability for those legal proceedings when it determines it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company also discloses when it is reasonably possible that a material loss may be incurred, however, the amount cannot be reasonably estimated. From time to time, the Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company and its shareholders.

The following is a summary of our current outstanding litigation. Note that references to GreenBox POS are for historical purposes. GreenBox POS changed its name to RYVYL Inc. on October 13, 2022.

- On November 8, 2022, the Company filed a complaint against its former Chief Operating Officer Vanessa Luna, Luna Consultant Group, LLC and Does 1 through 50 in San Diego Superior Court (the "Company Filing"). The Company is alleging that Ms. Luna abused her position for additional compensation, failed to follow proper protocols and breached her fiduciary duties and duty of loyalty by secretly maintaining alternative employment. The action seeks damages, including interest and costs of suit incurred. On November 10, 2022, Ms. Luna filed her own complaint against the Company and Fredi Nisan in San Diego Superior Court (the "Luna Filing"). Ms. Luna alleges that Mr. Nisan used contract negotiations to coerce her, that the Company improperly coded transactions and misled investors, and that when her concerns were reported to management, she was wrongfully terminated, resulting in a number of claims. Ms. Luna also alleges sexual misconduct on the part of Mr. Nisan. Ms. Luna is seeking damages including compensatory damages, unpaid wages (past and future), loss of wages and benefits (past and future), and other damages to be proven at trial. The Company and Mr. Nisan deny all allegations of the Luna Filing. In April 2023, Ms. Luna sought to add Coyni, Inc. as a defendant with regard to her claims. She was granted permission to file a Second Amended Complaint, and Coyni, Inc. has challenged the allegations by way of demurrer, which was denied on August 9, 2024. In addition, the Company and Mr. Nisan have filed a motion for leave to amend their complaint against Luna, adding additional claims against her, including securities fraud, and, on August 9, 2024, the Court granted permission for the Company to file a Second Amended Complaint. As the Company cannot predict the outcome of the matter, the probability of an outcome cannot be determined. The Company intends to vigorously defend against all claims asserted by Ms. Luna and to vigorously prosecute its own claims against Ms. Luna. The San Diego Superior Court consolidated the Company Filing and Luna Filing into a single proceeding, RYVYL Inc. v. Luna, on August 4, 2023. On October 17, 2024, the parties entered into a confidential settlement agreement, and on October 24, 2024, a stipulated motion to stay all pleadings was filed with the Court.

- On December 12, 2022, Jacqueline Dollar (aka Jacqueline Reynolds), former Chief Marketing Officer of the Company, filed a complaint against the Company, Fredi Nisan, and Does 1-20 in San Diego Superior Court. Ms. Dollar is alleging she was undercompensated compared to her male counterparts and retaliated against after raising concerns to management resulting in sex discrimination in violation of the California Fair Employment and Housing Act ("FEHA") and failure to prevent discrimination in violation of FEHA. Ms. Dollar is also claiming intentional infliction of emotional distress. Ms. Dollar is seeking an unspecified amount of damages related to, among other things, payment of past and future lost wages, stock issuances, bonuses and benefits, compensatory damages, and general, economic, non-economic, and special damages. As the Company cannot predict the outcome of the matter, the probability of an outcome cannot be determined. The Company intends to vigorously defend against all claims. The parties are currently in the discovery phase.

- On February 1, 2023, a putative class action lawsuit titled Cullen v. RYVYL Inc. fka GreenBox POS, Inc., et al., Case No. 3:23-cv-00185-GPC-AGS, was filed in the United States District Court for the Southern District of California against several defendants, including the Company and certain of our current and former directors and officers (the "Cullen Defendants"). The complaint was filed on behalf of persons who purchased or otherwise acquired the Company's publicly traded securities between January 29, 2021 and January 20, 2023. The complaint alleged that the Cullen Defendants violated Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended (the "Securities Act") and Sections 10(b) and 20(a) of the Exchange Act by making false and/or misleading statements regarding the Company's financial controls, performance and prospects. On June 30, 2023, the plaintiff filed an amended complaint. All defendants filed motions to dismiss the amended complaint on August 14, 2023. On March 1, 2024, the Court issued an order granting in part and denying in part defendants' motions to dismiss, which included dismissing all Securities Act claims and narrowing the potential class period. The plaintiff filed a second amended complaint on April 30, 2024, which alleges claims against the Cullen Defendants under Exchange Act Sections 10(b) and 20(a) only and a class period of May 13, 2021 through January 20, 2023. The Company filed its motion to dismiss the second amended complaint on July 1, 2024. On October 21, 2024, the Court issued an order granting in part and denying in part defendants' motions to dismiss. The scope of the remaining claims is consistent with the Court's last motion to dismiss decision dated March 1, 2024. On November 12, 2024, Plaintiff filed a Third Amended Complaint, which asserts the same legal causes of action and proposed class period as the previous complaint. The Company is evaluating the amended complaint and may be filing a further motion to dismiss.

  The action seeks damages, including interest, and the award of reasonable fees and costs to the putative class. The Company denies all allegations of liability and intends to vigorously defend against all claims. However, given the preliminary stage of the lawsuit, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome at this time or estimate a reasonably possible loss or range of loss that may result from this action.

- On June 22, 2023, a shareholder derivative complaint was filed in the United States District Court for the Southern District of California against certain of the Company's current and/or former officers and directors (the "Hertel Defendants"), Christy Hertel, derivatively on behalf of RYVYL Inc., f/k/a GreenBox POS v. Ben Errez et al., Case No. 3:23-CV-01165-GPC-SBC. On August 4, 2023, a second shareholder derivative complaint was filed in the United States District Court for the Southern District of California against the Hertel Defendants, Marcus Gazaway, derivatively on behalf of RYVYL Inc., f/k/a GreenBox POS v. Ben Errez et al., Case No. 3:23-CV-01425-LAB-BLM. Both derivative complaints generally allege that the Hertel Defendants failed to implement adequate internal controls that would prevent false and misleading financial information from being published by the Company and that controlling shareholders participated in overpayment misconduct resulting in violations of Sections 10(b), 14(a) and 20 of the Exchange Act and breached their fiduciary duties and, purportedly on behalf of the Company. On April 2, 2024, the Court granted the parties' joint motion for an order consolidating the Hertel and Gazaway cases under the caption In re RYVYL Inc. Derivative Litigation, Lead Case No. 3:23-CV-01165-GPC-SBC (S.D. Cal.). On May 6, 2024, the Court issued an order staying the action until after the final resolution of any motion to dismiss the securities class action detailed above. On May 1, 2024, a third nearly identical shareholder derivative complaint was filed in Clark County, Nevada by plaintiff Christina Brown, derivatively on behalf of RYVYL, Inc., v. Ben Errez et al., Case No. A-24-892382-C. The Company currently is working with Ms. Brown's counsel to coordinate a stay of the Nevada action on the same terms as the stay of the Hertel and Gazaway cases.

  The complaint seeks damages and contribution from the Hertel Defendants and a direction that the Company and the Hertel Defendants take actions to reform and improve corporate governance and internal procedures to comply with applicable laws. The Hertel Defendants deny all allegations of liability and intend to vigorously defend against all claims. However, given the preliminary stage of the lawsuits, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome of either case at this time.

- On October 1, 2023, the Company filed a demand for arbitration against Sky Financial & Intelligence LLC, a Wyoming limited liability company ("Sky Financial") with the American Arbitration Association in San Diego, California (the "Arbitration"). In the Arbitration, the Company seeks to recover for breach of contract and Sky Financial's failure to perform its obligations. On October 2, 2023, the Company filed a complaint against Sky Financial in San Diego Superior Court asserting the same claims asserted in the Arbitration, solely to toll any applicable statutes of limitations pending the Arbitration and, if necessary, provide jurisdiction for the court to compel arbitration. The action seeks damages, including interest and costs of suit incurred. The parties agreed to proceed in the Arbitration and to implement the steps needed to extend the current stay of the San Diego Superior Court action pending the Arbitration. Subsequently, the parties agreed to stay the Arbitration and attend mediation. A mediation was scheduled but then vacated by stipulation of the parties. The parties have agreed to continue the stay of the Arbitration pending a mediation, which is to be re-scheduled.

- On July 6, 2022, the Company's subsidiary, RYVYL EU (formerly known as Transact Europe OOD), received a notary invitation from Satya Consulting PTE Limited ("Satya") filed in Bulgaria. In the filed claim, Satya alleges nonpayment of its fee in the amount of EUR 900,000, to which statutory default interest is to be added, for failure of payment under the Company's stock purchase agreement for Transact Europe Holdings OOD. RYVYL EU has retained Bulgarian counsel to assist in the defense of the asserted claim and denies all allegations. As RYVYL EU cannot predict the outcome of the matter, the probability of an outcome cannot be determined. RYVYL EU intends to vigorously defend against all claims. On October 18, 2024, RYVYL EU entered into a confidential settlement agreement with no material impact to the Company. A hearing is scheduled for November 15, 2024, where it is expected that the Court will approve the settlement and terminate the case.

- On January 2, 2024, the Company filed a Statement of Claim against Chessa Sabourin in the Ontario Superior Court of Justice. Case No. CV-24-00712190-0000. The Company seeks to recover funds unlawfully held by Ms. Sabourin, or in the alternative, damages in the equivalent amount. Additionally, punitive and exemplary damages. In September 2023, the Company mistakenly sent funds to Ms. Sabourin and attempted to reverse or recall the transfers but was unable to do so. To date, Ms. Sabourin has failed and/or refused to return the funds mistakenly sent to her. On October 21, 2024, the Court issued a default judgment against Sabourin.

- On June 25, 2024, J. Drew Byelick, a former Chief Financial Officer of the Company, filed a complaint against the Company in the United States District Court for the Southern District of California, Case No. '24CV1096 JLS MSB. Mr. Byelick is alleging breach of contract, fraudulent inducement of employment, along with intentional misrepresentation and concealment. The Company filed a motion to dismiss the complaint on October 4, 2024 and Mr. Byelick filed an opposition to the Company's motion on November 8, 2024. The Company denies all allegations of liability and intends to vigorously defend against all claims. However, given the preliminary stage of the lawsuit, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome at this time or estimate a reasonably possible loss or range of loss that may result from this action.

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15. Segment Reporting

The Company has organized its operations into two reportable segments: North America and International. These segments represent the components of the Company for which separate financial information is available that is utilized on a regular basis by the CODM to assess segment performance, set strategic goals, and allocate the Company's resources.

The following tables present discrete financial information for our two reportable segments (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue				
North America	$ 2,832	$ 12,488	$ 15,478	$ 32,330
International	9,774	4,992	25,802	11,290
	$ 12,606	$ 17,480	$ 41,280	$ 43,620
Loss from operations				
North America	$ (3,664)	$ (3,243)	$ (20,456)	$ (10,729)
International	1,184	879	5,180	1,259
	$ (2,480)	$ (2,364)	$ (15,276)	$ (9,470)
Net loss				
North America	$ (6,281)	$ (3,760)	$ (25,053)	$ (24,057)
International	1,108	644	5,079	959
	$ (5,174)	$ (3,116)	$ (19,974)	$ (23,098)
Depreciation and amortization				
North America	$ 505	$ 495	$ 1,504	$ 1,415
International	85	162	322	484
	$ 590	$ 657	$ 1,826	$ 1,899

Assets by reportable segment were not included, as that information is not reviewed by the CODM to make operating decisions or allocate resources. Assets are reviewed on a consolidated basis.

16. Subsequent Events

On November 11, 2024, the Company and the Investor entered into a non-binding Memorandum of Understanding (the “MOU”) setting forth the terms agreed to by the Company and the Investor for the full repayment and termination of the Note and the redemption of all shares of the Company’s Preferred Stock held by the Investor. As of October 31, 2024, the outstanding Note principal was $19.0 million and the liquidation value of the Preferred Stock was $53.5 million.

Under the terms of the MOU, the Company has agreed to pay total consideration of $ 16.5 million in full repayment of the Note and the redemption of all of the shares of Preferred Stock, as follows:

- $12.8 million will be paid in a first tranche payment on or before November 22, 2024, for the redemption of all of the shares of Preferred Stock held by the Investor, and payment of a portion of the outstanding balance of the Note so that the remaining outstanding principal balance will be $3.7 million.
- $3.7 million will be paid in full satisfaction of the remaining principal balance of the Note, which will remain outstanding under the existing Note with the maturity date of the Note being accelerated to January 31, 2025.

The Company is required to execute definitive agreements with the Investor (the “Definitive Agreements”) and pay the first tranche payment of $12.8 million on or before November 22, 2024, or the MOU will be terminated and the transactions contemplated under the MOU will not be completed. Prior to payment of the first tranche payment, the Investor shall retain the ability, subject to certain market limitations, to convert the Note and the Preferred Stock into common stock.

The Company expects to pay the first tranche payment of $12.8 million from proceeds raised in equity, debt and/or convertible debt financings from one or more new investors. In the event that RYVYL is unable to raise funds sufficient to pay the first tranche payment of $12.8 million by November 22, 2024, the transactions contemplated under the MOU will not be completed.

The Company will use its reasonable best efforts to raise the financing required, but there is no assurance that it will be able to do so by November 22, 2024. Even if the Company does raise sufficient funds, since the MOU is not binding, there is no assurance that the Company will be able to enter into the Definitive Agreements with the Investor.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this Quarterly Report on Form 10Q (this "Report") and other materials we have filed or may filed, as well as information included in our oral or written statements, contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words, or similar expressions or variations. Such forward-looking statements are subject to a number of risks, uncertainties, assumptions, and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein and in our other filings with the Securities and Exchange Commission (the "SEC"). You should not rely upon forward-looking statements as predictions of future events.

You should not place undue reliance on forward-looking statements. The cautionary statements set forth in this Report identify important matters or factors which you should consider in evaluating our forward-looking statements. These matters or factors include, among other things:

- Our ability to effectively execute our business plan;
- Our ability to manage our expansion, growth and operating expenses both domestically and internationally;
- Our ability to comply with new regulations and compliance requirements that affect our business;
- Our ability to evaluate and measure our business, prospects and performance metrics;
- Our ability to compete and succeed in an evolving industry;
- Our ability to respond and adapt to rapid changes in technology;
- Our ability to identify and complete, and the risks associated with acquisitions, post-acquisition integrations, dispositions and other strategic growth opportunities and initiatives;
- Our ability to avoid or minimize risks related to the blockchain and cryptocurrency industry or changes in the regulatory environment and turmoil in the banking sector with respect to digital asset management;
- Our ability to protect our proprietary technology.
- Possible dilution of our common stock if the 8% Senior convertible note due in 2026 in the principal amount of $19.0 million, as of September 30, 2024, is repaid in stock;
- Our dependence on our proprietary technology, which we may not be able to protect; and
- Our dependence on our European subsidiaries as an immediate and viable short-term source of capital while we are transitioning our QuickCard product from a terminal-based to an app-based product for our North America business.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by us (such as in our other filings with the SEC or in our press releases) for other factors that may cause actual results to differ materially from those projected by us. For additional information regarding risk factors that could affect our results, see "Risk Factors" beginning on page 14 of our 2023 Annual Report and "Risk Factors" on page 41 of this Report.

We intend the forward-looking statements to speak only as of the time of such statements and do not undertake or plan to update or revise such forward-looking statements as more information becomes available or to reflect changes in expectations, assumptions or results. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Report, could materially and adversely affect our results of operations, financial condition, liquidity, and future performance.

In this Report, unless the context otherwise requires, all references to “the Company,” “we,” “our,” “us” and “PubCo” refer collectively to RYVYL Inc., a Nevada corporation, and its subsidiaries.

Unless the context otherwise requires, all references to “PrivCo” refer to GreenBox POS LLC, a limited liability company, formed in the state of Washington.

Our Management’s Discussion and Analysis and Results of Operations contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national and local general economic and market conditions; demographic changes; our ability to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other risks that might be detailed from time to time in our filings with the SEC.

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this Report and in our other reports as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Overview – Organization and Name Changes

RYVYL Inc. is a financial technology company that develops, markets, and sells innovative blockchain-based payment solutions, which we believe offer significant improvements for the payment solutions marketplace. The Company’s core focus is to develop and monetize disruptive blockchain-based applications, integrated within an end-to-end suite of financial products, capable of supporting a multitude of industries. The Company’s proprietary, blockchain-based systems are designed to facilitate, record and store a virtually limitless volume of tokenized assets, representing cash or data, on a secured, immutable blockchain-based ledger.

The Company was formerly known as ASAP Expo, Inc. and was incorporated in the State of Nevada on April 10, 2007. On January 4, 2020, PubCo and PrivCo entered into an Asset Purchase Agreement to memorialize a verbal agreement (the “Verbal Agreement”) entered into on April 12, 2018, by and among PubCo (the buyer) and PrivCo (the seller). On April 12, 2018, pursuant to the Verbal Agreement, the Company acquired PrivCo’s blockchain gateway and payment system business, point of sale system business, delivery business and kiosk business, bank and merchant accounts, as well as all intellectual property related thereto (the “GreenBox Business”). As consideration for the GreenBox Business, on April 12, 2018, the Company assumed PrivCo’s liabilities that had been incurred in the normal course of the GreenBox Business.

On May 3, 2018, the Company formally changed its name to “GreenBox POS, LLC,” then subsequently changed its name to “GreenBox POS” on December 13, 2018. On October 13, 2022, GreenBox POS changed its name to “RYVYL Inc.”

On May 21, 2021, the Company acquired all of the outstanding stock of Northeast Merchant Systems, Inc. (“NEMS”) in a transaction treated as a business combination. NEMS is a merchant services company providing merchant credit card processing through its own Bank Identification Number with the acquiring bank, Merrick. This involves inside operations for new merchants that include sales assistance and applications processing, underwriting, and onboarding and inside operations for existing merchants include risk monitoring and customer service. Outside operations include equipment service or replacement; sales calls and applications; site inspections and identity verification; security verification; and on-site customer service and technical support.

On July 13, 2021 (the “Closing Date”), GreenBox POS entered into and closed on a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Charge Savvy LLC, an Illinois limited liability company (“Charge Savvy”), and Charge Savvy’s three members (collectively, the “Sellers”). One of the Sellers, Ken Haller, was an employee of the Company on the Closing Date. As a result of the Purchase Agreement, the Company purchased all of Charge Savvy’s issued and outstanding membership interests from the Sellers and Charge Savvy became a wholly owned subsidiary of the Company. The purchase price under the Purchase Agreement for the all-stock transaction consisted of 1,000,000 shares of the Company’s common stock being issued and delivered to Sellers in proportion to the Sellers’ share of their membership interests in Charge Savvy. The share price at issuance was $12.14. Charge Savvy is a fintech company specializing in developing software and providing payment processing and point-of-sale (“POS”) services to the merchant services industry. Charge Savvy also owned an approximately 64,000 square foot office building located in Chicago, Illinois, where it is headquartered.

On March 31, 2022, the Company acquired a portfolio of merchant accounts from Sky Financial for $18,110,000. The Company paid $16,000,000 of cash in March 2022 and issued 500,000 shares of restricted common stock for the transaction on May 12, 2022.

On April 1, 2022, the Company completed the acquisition of Transact Europe Holdings OOD (“Transact Europe Holdings”). Transact Europe Holdings is the holding company of Transact Europe EAD (“TEU”). TEU formally changed its name to RYVYL EU on December 16, 2022. RYVYL EU is a European Union (“EU”) regulated electronic money institution headquartered in Sofia, Bulgaria. RYVYL EU is a Principal Level member of Visa, a worldwide member of MasterCard, and a principal member of China UnionPay. In addition, RYVYL EU is part of the direct Single Euro Payments Area (“SEPA”) program, a payment system enabling cashless payments across continental Europe. RYVYL EU provides complete payment solutions by offering acquiring, issuing of prepaid cards and agent banking, serving hundreds of clients. With a global footprint, proprietary payment gateway, and technology platforms, RYVYL EU offers a comprehensive portfolio of services and decades of industry experience. The Company paid approximately $28.8 million (€26.0 million) in total consideration for the purchase.

Recent Developments

In February 2024, the Company transitioned its QuickCard product in North America away from terminal-based to app-based processing. This transition was driven by a change in our banking partner that was prompted by recent changes in the compliance environment and banking regulations impacting certain niche high-risk business verticals, which were the predominant revenue driver for QuickCard.

As previously disclosed, management’s plan to recover the loss of revenues resulting from this product transition included the acceleration of business development efforts to launch the new app-based product in existing and new business verticals. However, due to continuous changes in the regulatory environment and our previous banking relationships, during the second quarter of 2024, management determined that the app-based product may not be a viable long-term solution for certain niche high-risk business verticals and made the decision to terminate the rollout of the app-based product in those business verticals. To address this change, the Company recently introduced a licensing product for its payments processing platform, which will enable it to serve the same customer base in such verticals through a business partner with more suitable banking compliance capabilities. Revenues from the new licensing product are not expected to materialize until early 2025. Due of this strategy shift as well as a reorganization of the Company’s business to better align with management’s revised strategy, which was executed during the second quarter, the recovery of the loss of revenues resulting from this product transition is now not expected to occur until early 2025.

The decline in revenues resulting from this product transition has adversely impacted the Company’s liquidity in its North America segment in the short term. As a result, management has determined that its cash and cash equivalents in the North America segment as of September 30, 2024, will not be sufficient to fund the segment’s operations and capital needs for the next 12 months from the issuance of this Report. Management’s intended plan over the next twelve months to address the liquidity shortfall in the North America segment includes, but is not limited to, the following:

- continued execution of its accelerated business development efforts to drive volumes in diversified business verticals with the Company’s other products, including the recently launched licensing of the Company’s payments processing platform in certain niche high-risk business verticals;
- continued implementation of cost control measures to more effectively manage spending in the North America segment and right sizing the organization, where appropriate;
- the sale of certain noncore assets; and
- repatriation of offshore profits from the Company’s European subsidiaries, whose continued accelerated growth and generation of positive cash flow have already provided, and will continue to provide, an immediate and viable short-term source of capital during this product transition (to date, the Company has repatriated approximately $12.8 million from Europe).

Management has assessed that its intended plan described above, if successfully implemented, is appropriate and sufficient to address the liquidity shortfall in its North America segment and provide funds to cover operations for the next 12 months from the date of the issuance of this Report. However, there can be no guarantee that we will be successful in implementing our plan, that our projections of our future capital needs will prove accurate, or that any additional funding will be sufficient to continue our operations in the North America segment.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2024 (Unaudited) Compared to Three Months September 30, 2023 (Unaudited):

(Dollars in thousands)

	Three Months Ended September 30, 2024		2023		Change	
	Amount	**% of Revenue**	**Amount**	**% of Revenue**	**Amount**	**%**
Revenue	$ 12,606	100.0%	$ 17,480	100.0%	$ (4,874)	(27.9)%
Cost of revenue	7,749	61.5%	10,800	61.8%	(3,050)	(28.2)%
Gross profit	4,857	38.5%	6,680	38.2%	(1,824)	(27.3)%
Operating expenses:						
Advertising and marketing	42	0.3%	45	0.3%	(3)	(8.2)%
Research and development	815	6.5%	1,315	7.5%	(500)	(38.0)%
General and administrative	1,442	11.4%	3,041	17.4%	(1,598)	(52.6)%
Payroll and payroll taxes	3,251	25.8%	2,605	14.9%	645	24.8%
Professional fees	1,061	8.4%	1,234	7.1%	(173)	(14.0)%
Stock compensation expense	136	1.1%	147	0.8%	(12)	(7.8)%
Depreciation and amortization	590	4.7%	657	3.8%	(67)	(10.1)%
Total operating expenses	7,337	58.2%	9,044	51.7%	(1,708)	(18.9)%
Loss from operations	(2,480)	(19.7)%	(2,364)	(13.5)%	(116)	4.9%
Other income (expense):						
Interest expense	(309)	(2.5)%	(65)	(0.4)%	(244)	380.9%
Accretion of debt discount	(273)	(2.2)%	(4,183)	(23.9)%	3,910	(93.5)%
Changes in fair value of derivative liability	-	0.0%	6,909	39.5%	(6,909)	(100.0)%
Derecognition expense on conversion of convertible debt	-	0.0%	(1,331)	(7.6)%	1,331	(100.0)%
Legal settlement expense	(1,598)	(12.7)%	(1,929)	(11.0)%	331	(17.2)%
Other income (expense)	72	0.6%	(25)	(0.1)%	97	(387.1)%
Total other expense, net	(2,108)	(16.7)%	(624)	(3.6)%	(1,484)	238.0%
Loss before provision for income taxes	(4,588)	(36.4)%	(2,988)	(17.1)%	(1,600)	53.6%
Income tax provision	586	4.6%	128	0.7%	458	356.8%
Net loss	$ (5,174)	(41.0)%	$ (3,116)	(17.8)%	$ (1,860)	59.7%

Revenue

	Three Months Ended September 30,			
	2024	2023	$ Change	% Change
North America	$ 2,832	$ 12,488	$ (9,656)	(77.3)%
International	9,774	4,992	4,782	95.8%
Total revenue	$ 12,606	$ 17,480	$ (4,874)	(27.9)%

Revenue decreased by $4.9 million, or 27.9%, to $12.6 million for the three months ended September 30, 2024, from $17.5 million for the three months ended September 30, 2023. In the North America segment, revenue decreased $9.7 million, or 77.3%, compared to the three months ended September 30, 2023. In the International segment, revenue increased $4.8 million, or 95.8%, compared to the three months ended September 30, 2023. The decrease in revenue was primarily driven by a decrease in processing volume in the North America segment, which decreased from $341.0 million in the quarter ended September 30, 2023, to $170.6 million in the quarter ended September 30, 2024, and is attributable to the previously disclosed impact associated with the Company's QuickCard product transition that began in February 2024. The decrease in revenue in North America was partially offset by an increase in revenue in the International segment that was primarily attributable to continued growth in processing volume, which increased from $517.0 million in the quarter ended September 30, 2023, to $952.3 million in the quarter ended September 30, 2024. The increase in processing volume in the International segment was driven by continued strong growth across multiple verticals, primarily, our Independent Sales Organizations ("ISO") and partnership network, our global payments processing businesses, and banking-as-a-service offering.

Cost of Revenue

Cost of revenue decreased by $3.1 million, or 28.2%, to $7.7 million for the three months ended September 30, 2024, from $10.8 million for the three months ended September 30, 2023. In the North America segment, cost of revenue decreased $6.0 million, or 77.1%, compared to the three months ended September 30, 2023. In the International segment, cost of revenue increased $2.9 million, or 94.6%, compared to the three months ended September 30, 2023. Cost of revenue primarily consists of various processing fees paid to gateways, as well as commission payments to the ISOs responsible for establishing and maintaining merchant relationships. The decrease in cost of revenue was primarily driven by the decrease in processing volumes in North America, as noted above, partially offset by an increase in processing volumes in the International segment.

Operating Expenses

Operating expenses decreased by $1.7 million, or 18.9%, to $7.3 million for the three months ended September 30, 2024, from $9.1 million for the three months ended September 30, 2023. The decrease was primarily driven by a decrease in research and development expenses of $0.5 million, as the Company began capitalizing a portion of these costs during the second quarter of 2024, and decreases in general and administrative expenses of $1.6 million and in professional fees of $0.2 million, both due to lower accounting, consulting, and legal fees incurred in 2023 in connection with the Company's restatement of prior period consolidated financial statements.

Other Income (Expense)

Other expense increased by $1.5 million, or 238.0%, to $2.1 million for the three months ended September 30, 2024, from $0.6 million for the three months ended September 30, 2023. The increase was primarily driven by a net increase of $1.7 million related to debt discount accretion (+$3.9 million), changes in fair value of derivative liability (-$6.9 million), and derecognition expense on conversion of convertible debt (+$1.3 million), all primarily recognized in connection with the Company's restructuring of its convertible note during the second quarter of 2024. Additionally, interest expense increased $0.2 million and legal settlement expense decreased $0.3 million.

Nine Months Ended September 30, 2024 (Unaudited) Compared to Nine Months September 30, 2023 (Unaudited):
(Dollars in thousands)

	Nine Months Ended September 30,				Change	
	2024		2023			
	Amount	% of Revenue	Amount	% of Revenue	Amount	%
Revenue	$ 41,280	100.0%	$ 43,620	100.0%	$ (2,340)	(5.4)%
Cost of revenue	24,643	59.7%	25,703	58.9%	(1,059)	(4.1)%
Gross profit	16,637	40.3%	17,917	41.1%	(1,281)	(7.1)%
Operating expenses:						
Advertising and marketing	74	0.2%	153	0.4%	(79)	(51.1)%
Research and development	3,027	7.3%	4,434	10.2%	(1,408)	(31.7)%
General and administrative	5,107	12.4%	6,709	15.4%	(1,603)	(23.9)%
Payroll and payroll taxes	9,670	23.4%	8,232	18.9%	1,438	17.5%
Professional fees	3,356	8.1%	5,651	13.0%	(2,295)	(40.6)%
Stock compensation expense	542	1.3%	309	0.7%	233	75.5%
Depreciation and amortization	1,826	4.4%	1,899	4.4%	(73)	(3.9)%
Impairment of goodwill	6,675	16.2%	-	0.0%	6,675	N/A
Restructuring charges	1,636	4.0%	-	0.0%	1,636	N/A
Total operating expenses	31,913	77.3%	27,387	62.8%	4,525	16.5%
Loss from operations	(15,276)	(37.0)%	(9,470)	(21.7)%	(5,806)	61.3%
Other income (expense):						
Interest expense	(462)	(1.1)%	(3,310)	(7.6)%	2,848	(86.0)%
Accretion of debt discount	(1,978)	(4.8)%	(9,626)	(22.1)%	7,648	(79.4)%
Changes in fair value of derivative liability	14	0.0%	6,580	15.1%	(6,566)	(99.8)%
Derecognition expense on conversion of convertible debt	(68)	(0.2)%	(1,518)	(3.5)%	1,450	(95.5)%
Legal settlement expense	(1,598)	(3.9)%	(4,142)	(9.5)%	2,545	(61.4)%
Other income (expense)	608	1.5%	(1,474)	(3.4)%	2,081	(141.3)%
Total other expense, net	(3,484)	(8.4)%	(13,490)	(30.9)%	10,006	(74.2)%
Loss before provision for income taxes	(18,760)	(45.4)%	(22,960)	(52.6)%	4,201	(18.3)%
Income tax provision	1,214	2.9%	138	0.3%	1,077	781.3%
Net loss	$ (19,974)	(48.4)%	$ (23,098)	(53.0)%	$ 3,322	(14.4)%

Revenue

	Nine Months Ended September 30,			
	2024	2023	$ Change	% Change
North America	$ 15,478	$ 32,330	$ (16,852)	(52.1)%
International	25,802	11,290	14,512	128.5%
Total revenue	$ 41,280	$ 43,620	$ (2,340)	(5.36)%

Revenue decreased by $2.3 million, or 5.4%, to $41.3 million for the nine months ended September 30, 2024, from $43.6 million for the nine months ended September 30, 2023. In the North America segment, revenue decreased by $16.9 million, or 52.1%, compared to the nine months ended September 30, 2023. In the International segment, revenue increased by $14.5 million, or 128.5%, compared to the nine months ended September 30, 2023. The decrease in revenue was driven by a decrease in processing volume in the North America segment, which decreased from $1.0 billion in the nine months ended September 30, 2023, to $562 million in the nine months ended September 30, 2023, and is attributable to the previously disclosed impact associated with the Company's QuickCard product transition that began in February 2024. The decrease in revenue in North America was partially offset by an increase in revenue in the International segment that was driven by continued growth in processing volume, which increased from $1.1 billion in the nine months ended September 30, 2023 to $2.6 billion in the nine months ended September 30, 2024. The increase in processing volume in the International segment was driven by continued strong growth across multiple verticals, primarily, our ISO and partnership network, our global payments processing businesses, and banking-as-a-service offering.

Cost of Revenue

Cost of revenue decreased by $1.1 million, or 4.1%, to $26.6 million for the nine months ended September 30, 2024, from $25.7 million for the nine months ended September 30, 2023. In the North America segment, cost of revenue decreased by $9.7 million, or 51.5%, compared to the nine months ended September 30, 2023. In the International segment, cost of revenue increased by $8.6 million, or 125.6%, compared to the nine months ended September 30, 2023. Cost of revenue primarily consists of various processing fees paid to gateways, as well as commission payments to the ISOs responsible for establishing and maintaining merchant relationships. The decrease in cost of revenue was primarily driven by a decrease in processing volumes in North America, as noted above, which were partially offset by an increase in processing volumes in the International segment.

Operating Expenses

Operating expenses increased by $4.5 million, or 16.5%, to $31.9 million for the nine months ended September 30, 2024, from $27.4 million for the nine months ended September 30, 2023. The increase was primarily due to a $6.7 million non-cash charge related to the write-off of goodwill in North America and restructuring charges of $1.6 million related to the Company's reorganization and restructuring of its business in North America, both recorded during the second quarter of 2024. These increases were partially offset by a decrease in professional fees of $2.3 million due to lower accounting, consulting, and legal fees incurred in 2023 in connection with the Company's restatement of prior period consolidated financial statements, and a decrease in research and development expenses of $1.4 million, as the Company began capitalizing a portion of these costs in the second quarter of 2024.

Other Income (Expense)

Other expense decreased by $10.0 million, or 74.2%, to $3.5 million for the nine months ended September 30, 2024, from $13.5 million for the nine months ended September 30, 2023. The decrease was primarily driven by a net decrease of $2.5 million related to debt discount accretion expense (-$7.6 million), changes in fair value of derivative liability (+$6.6 million), and derecognition expense on conversion of convertible debt (-$1.5 million), all primarily recognized in connection with the Company's restructuring of its convertible note during the second quarter of 2024. Additionally, interest expense decreased $2.8 million, legal settlement expense decreased $2.6 million and other income (expense) decreased $2.1 million.

Liquidity and Capital Resources

The Company's consolidated working capital at September 30, 2024 was negative $4.2 million, which included cash and cash equivalents of $4.3 million and restricted cash of $87.2 million. Historically, the Company has financed its operations with proceeds from cash from operations, the sales of equity securities, and its $100 million convertible note. Our material liquidity needs principally relate to working capital requirements and research and development expenditures.

Due to the product transition described under the *Recent Developments* section above, we believe that our cash and cash equivalents as of September 30, 2024 are not sufficient to fund the North America segment's operations and capital needs for the next 12 months from the issuance of this Report. Our ability to fund working capital and other expenditures in the North America segment will depend on our ability to generate cash from operating activities from our two operating segments, which is subject to our future operating success, further repatriation of offshore profits from our European subsidiaries, and short-term borrowings in the U.S.

Our ability to successfully address the short-term liquidity shortfall in the North America segment is contingent on management's intended plan over the next twelve months to improve the segment's liquidity and working capital requirements. Management has determined that its intended plan, if successfully implemented, is appropriate and sufficient to address the liquidity shortfall in the North America segment and provide sufficient funds to cover operations for the next 12 months from the date of issuance of this Report. However, there can be no guarantee that we will be successful in implementing our plan or in acquiring additional funding, that our projections of our future capital needs will prove accurate, or that any additional funding will be sufficient to continue our operations in the North America segment.

Cash Flow

The following table shows cash flows for the periods presented (dollars in thousands):

	Nine Months Ended September 30,	
	2024	2023
Cash provided by operating activities	$ 19,119	$ 27,584
Cash used in investing activities	(1,226)	(78)
Cash used in financing activities	(207)	(11)
Effects of exchange rates on cash, cash equivalents, and restricted cash	479	26
Net increase in cash, cash equivalents, and restricted cash	$ 18,165	$ 27,521

Operating Activities – For the nine months ended September 30, 2024 and 2023, net cash provided by operating activities was $19.1 million and $27.6 million, respectively. The cash provided by operating activities was primarily due to the timing of settlement of assets and liabilities.

Investing Activities – Net cash used in investing activities for the nine months ended September 30, 2024 and 2023, was $1.2 million and $0.1 million, respectively. The net cash used in investing activities for the nine months ended September 30, 2024 primarily relates to capitalized software development costs.

Financing Activities – Net cash used by financing activities in the nine-month period ended September 30, 2024 was $0.2 million. Net cash used in financing activities in the nine-month period ended September 30, 2023 was negligible.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S. (“GAAP”). GAAP requires us to make estimates and assumptions 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. We base our estimates on historical experience, anticipated future trends, and other assumptions we believe to be reasonable under the circumstances. Because these estimates require significant judgment, our actual results may differ materially from our estimates.

Cash Due from Gateways

The Company generates the majority of its revenue from payment processing services provided to its merchant clients. When a merchant makes a sale, the process of receiving the payment card information, engaging the banks for transferring the proceeds to the merchant’s account via digital gateways, and recording the transaction on a blockchain ledger, are the activities for which the Company gets to collect fees.

The gateways have strict guidelines pertaining to the scheduling of the release of funds to merchants based on several criteria that include, but are not limited to, return and chargeback history, associated risk for the specific business vertical, average transaction amount, etc. To mitigate potential credit losses associated with these risks, these gateway policies determine reserve requirements and a payment in arrears strategy. While reserve and payment in arrears restrictions are in effect for a merchant payout, the Company records the reserved amounts against cash due from the gateways until released.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Regulations under the Exchange Act require public companies to maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Disclosure controls and procedures include, without limitation, controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and timely communicated to management, including our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Based on their evaluation as of September 30, 2024, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of such date.

Remediation of Material Weakness

During the first nine months of 2024, with the oversight of the Audit Committee of the Board of Directors, the Company executed its remediation plan to address the material weakness identified in Item 9A of its 2023 Annual Report related to not having a complete process in place to fully reconcile the transactions between its operating system (a Company-developed platform) and its general ledger system, at the individual transaction level. The Company took the following actions during the execution of its remediation plan:

- Implemented an enhanced reconciliation preparation and review process
- Implemented changes to its operating system to improve reporting

Management has determined, through its current year testing, that these controls have been designed and implemented effectively and that these controls operated effectively for a sufficient period of time to conclude that the previously disclosed material weakness related to the reconciliation of transactions between the Company’s operating system and its general ledger system as of December 31, 2023, has been remediated as of the date of the filing of this Report.

Changes in Internal Control Over Financial Reporting

Except as discussed above, there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2024, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time, the Company is involved in legal proceedings. The following is a summary of our current outstanding litigation. Note that references to GreenBox POS are for historical purposes. GreenBox POS changed its name to RYVYL Inc. on October 13, 2022.

- On November 8, 2022, the Company filed a complaint against its former Chief Operating Officer Vanessa Luna, Luna Consultant Group, LLC and Does 1 through 50 in San Diego Superior Court (the "Company Filing"). The Company is alleging that Ms. Luna abused her position for additional compensation, failed to follow proper protocols and breached her fiduciary duties and duty of loyalty by secretly maintaining alternative employment. The action seeks damages, including interest and costs of suit incurred. On November 10, 2022, Ms. Luna filed her own complaint against the Company and Fredi Nisan in San Diego Superior Court (the "Luna Filing"). Ms. Luna alleges that Mr. Nisan used contract negotiations to coerce her, that the Company improperly coded transactions and misled investors, and that when her concerns were reported to management, she was wrongfully terminated, resulting in a number of claims. Ms. Luna also alleges sexual misconduct on the part of Mr. Nisan. Ms. Luna is seeking damages including compensatory damages, unpaid wages (past and future), loss of wages and benefits (past and future), and other damages to be proven at trial. The Company and Mr. Nisan deny all allegations of the Luna Filing. In April 2023, Ms. Luna sought to add Coyni, Inc. as a defendant with regard to her claims. She was granted permission to file a Second Amended Complaint, and Coyni, Inc. has challenged the allegations by way of demurrer, which was denied on August 9, 2024. In addition, the Company and Mr. Nisan have filed a motion for leave to amend their complaint against Luna, adding additional claims against her, including securities fraud, and, on August 9, 2024, the Court granted permission for the Company to file a Second Amended Complaint. As the Company cannot predict the outcome of the matter, the probability of an outcome cannot be determined. The Company intends to vigorously defend against all claims asserted by Ms. Luna and to vigorously prosecute its own claims against Ms. Luna. The San Diego Superior Court consolidated the Company Filing and Luna Filing into a single proceeding, RYVYL Inc. v. Luna, on August 4, 2023. The parties are currently in the discovery phase. On October 17, 2024, the parties entered into a confidential settlement agreement, and on October 24, 2024, a stipulated motion to stay all pleadings was filed with the Court.

- On December 12, 2022, Jacqueline Dollar (aka Jacqueline Reynolds), former Chief Marketing Officer of the Company, filed a complaint against the Company, Fredi Nisan, and Does 1-20 in San Diego Superior Court. Ms. Dollar is alleging she was undercompensated compared to her male counterparts and retaliated against after raising concerns to management resulting in sex discrimination in violation of the California Fair Employment and Housing Act ("FEHA") and failure to prevent discrimination in violation of FEHA. Ms. Dollar is also claiming intentional infliction of emotional distress. Ms. Dollar is seeking an unspecified amount of damages related to, among other things, payment of past and future lost wages, stock issuances, bonuses and benefits, compensatory damages, and general, economic, non-economic, and special damages. As the Company cannot predict the outcome of the matter, the probability of an outcome cannot be determined. The Company intends to vigorously defend against all claims. The parties are currently in the discovery phase.

- On February 1, 2023, a putative class action lawsuit titled Cullen v. RYVYL Inc. fka GreenBox POS, Inc., et al., Case No. 3:23-cv-00185-GPC-AGS, was filed in the United States District Court for the Southern District of California against several defendants, including the Company and certain of our current and former directors and officers (the "Cullen Defendants"). The complaint was filed on behalf of persons who purchased or otherwise acquired the Company's publicly traded securities between January 29, 2021 and January 20, 2023. The complaint alleged that the Cullen Defendants violated Sections 11, 12(a)(2), and 15 of the Securities Act and Sections 10(b) and 20(a) of the Exchange Act by making false and/or misleading statements regarding the Company's financial controls, performance and prospects. On June 30, 2023, the plaintiff filed an amended complaint. All defendants filed motions to dismiss the amended complaint on August 14, 2023. On March 1, 2024, the Court issued an order granting in part and denying in part defendants' motions to dismiss, which included dismissing all Securities Act claims and narrowing the potential class period. The plaintiff filed a second amended complaint on April 30, 2024, which alleges claims against the Cullen Defendants under Exchange Act Sections 10(b) and 20(a) only and a class period of May 13, 2021 through January 20, 2023. The Company filed its motion to dismiss the second amended complaint on July 1, 2024. On October 21, 2024, the Court issued an order granting in part and denying in part defendants' motions to dismiss. The scope of the remaining claims is consistent with the Court's last motion to dismiss decision dated March 1, 2024. On November 12, 2024, Plaintiff filed a Third Amended Complaint, which asserts the same legal causes of action and proposed class period as the previous complaint. The Company is evaluating the amended complaint and may be filing a further motion to dismiss.

  The action seeks damages, including interest, and the award of reasonable fees and costs to the putative class. The Company denies all allegations of liability and intends to vigorously defend against all claims. However, given the preliminary stage of the lawsuit, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome at this time or estimate a reasonably possible loss or range of loss that may result from this action.

- On June 22, 2023, a shareholder derivative complaint was filed in the United States District Court for the Southern District of California against certain of the Company's current and/or former officers and directors (the "Hertel Defendants"), Christy Hertel, derivatively on behalf of RYVYL Inc., f/k/a GreenBox POS v. Ben Errez et al., Case No. 3:23-CV-01165-GPC-SBC. On August 4, 2023, a second shareholder derivative complaint was filed in the United States District Court for the Southern District of California against the Hertel Defendants, Marcus Gazaway, derivatively on behalf of RYVYL Inc., f/k/a GreenBox POS v. Ben Errez et al., Case No. 3:23-CV-01425-LAB-BLM. Both derivative complaints generally allege that the Hertel Defendants failed to implement adequate internal controls that would prevent false and misleading financial information from being published by the Company and that controlling shareholders participated in overpayment misconduct resulting in violations of Sections 10(b), 14(a) and 20 of the Exchange Act and breached their fiduciary duties and, purportedly on behalf of the Company. On April 2, 2024, the Court granted the parties' joint motion for an order consolidating the Hertel and Gazaway cases under the caption In re RYVYL Inc. Derivative Litigation, Lead Case No. 3:23-CV-01165-GPC-SBC (S.D. Cal.). On May 6, 2024, the Court issued an order staying the action until after the final resolution of any motion to dismiss the securities class action detailed above. On May 1, 2024, a third nearly identical shareholder derivative complaint was filed in Clark County, Nevada by plaintiff Christina Brown, derivatively on behalf of RYVYL, Inc., v. Ben Errez et al., Case No. A-24-892382-C. The Company currently is working with Ms. Brown's counsel to coordinate a stay of the Nevada action on the same terms as the stay of the Hertel and Gazaway cases.

  The complaint seeks damages and contribution from the Hertel Defendants and a direction that the Company and the Hertel Defendants take actions to reform and improve corporate governance and internal procedures to comply with applicable laws. The Hertel Defendants deny all allegations of liability and intend to vigorously defend against all claims. However, given the preliminary stage of the lawsuits, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome of either case at this time.

- On October 1, 2023, the Company filed a demand for arbitration against Sky Financial with the American Arbitration Association in San Diego, California (the "Arbitration"). In the Arbitration, the Company seeks to recover for breach of contract and Sky Financial's failure to perform its obligations On October 2, 2023, the Company filed a complaint against Sky Financial in San Diego Superior Court asserting the same claims asserted in the Arbitration, solely to toll any applicable statutes of limitations pending the Arbitration and, if necessary, provide jurisdiction for the court to compel arbitration. The action seeks damages, including interest and costs of suit incurred. The parties agreed to proceed in the Arbitration and to implement the steps needed to extend the current stay of the San Diego Superior Court action pending the Arbitration. Subsequently, the parties agreed to stay the Arbitration and attend mediation. A mediation was scheduled but then vacated by stipulation of the parties. The parties have agreed to continue the stay of the Arbitration pending a mediation, which is to be re-scheduled.

- On July 6, 2022, the Company's subsidiary, RYVYL EU (formerly known as Transact Europe OOD), received a notary invitation from Satya Consulting PTE Limited ("Satya") filed in Bulgaria. In the filed claim, Satya alleges nonpayment of its fee in the amount of EUR 900,000, to which statutory default interest is to be added, for failure of payment under the Company's stock purchase agreement for Transact Europe Holdings OOD. RYVYL EU has retained Bulgarian counsel to assist in the defense of the asserted claim and denies all allegations. As RYVYL EU cannot predict the outcome of the matter, the probability of an outcome cannot be determined. RYVYL EU intends to vigorously defend against all claims. On October 18, 2024, RYVYL EU entered into a confidential settlement agreement with no material impact to the Company. A hearing is scheduled for November 15, 2024, where it is expected that the Court will approve the settlement and terminate the case.

- On January 2, 2024, the Company filed a Statement of Claim against Chessa Sabourin in the Ontario Superior Court of Justice. Case No. CV-24-00712190-0000. The Company seeks to recover funds unlawfully held by Sabourin, or in the alternative, damages in the equivalent amount. Additionally, punitive and exemplary damages. In September 2023, the Company mistakenly sent funds to Ms. Sabourin and attempted to reverse or recall the transfers but was unable to do so. To date, Ms. Sabourin has failed and/or refused to return the funds mistakenly sent to her. On October 21, 2024, the Court issued a default judgment against Sabourin.

- On June 25, 2024, J. Drew Byelick, a former Chief Financial Officer of the Company, filed a complaint against the Company in the United States District Court for the Southern District of California, Case No. '24CV1096 JLS MSB. Mr. Byelick is alleging breach of contract, fraudulent inducement of employment, along with intentional misrepresentation and concealment. The Company filed a motion to dismiss the complaint on October 4, 2024 and Mr. Byelick filed an opposition to the Company's motion on November 8, 2024. The Company denies all allegations of liability and intends to vigorously defend against all claims. However, given the preliminary stage of the lawsuit, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the Company cannot predict the outcome at this time or estimate a reasonably possible loss or range of loss that may result from this action.

ITEM 1A. RISK FACTORS

Other than the newly identified risk factor described below, there have been no material changes with respect to risk factors previously disclosed in the Company's 2023 Annual Report.

Our revenue projections related to our new licensing arrangements with payment services providers may not materialize due to customer acquisition and banking compliance issues that are outside of our control.

As part of the Company's plan to diversify its business, it recently launched a new licensing product for its payment processing platform. The Company will generate revenues from these arrangements from use-based license fees that it will charge to the payment services providers. The Company's ability to generate revenues from these licensing arrangements is contingent on the success of the licensees in utilizing and servicing their customers on their platforms, as the licensees will have exclusive control over, among other things, implementation and operations of the point of banking system, procurement of ACH processing solutions, and customer acquisitions.

The licensees will also have control in determining clients and industries utilizing the licensed technology, which requires an understanding of various banking laws and regulations that may impact the licensee's servicing of customer accounts. For example, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with operators of certain industries, particularly those with heightened cash reporting obligations and restrictions. As a result, banks may refuse to process certain payments and/or require onerous reporting obligations by payment processors to avoid compliance risk. These and other complexities surrounding banking and payment processing laws may make it difficult for the licensees to acquire customers, thereby negatively impacting the Company's ability to generate revenues from these arrangements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements

During the quarterly period ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated any "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Reference Form	Reference Exhibit	Filed or Furnished Filing Date	Filed or Furnished Herewith
31.1	Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a), As adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
31.2	Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a), As adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				X
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, As adopted Pursuant to Section 906 of the Sarbanes-Oxley Act 2002				X
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, As adopted Pursuant to Section 906 of the Sarbanes-Oxley Act 2002				X
101.INS	Inline XBRL Instance Document				X
101.SCH	Inline XBRL Taxonomy Extension Schema				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are being furnished and not filed.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RYVYL INC.
(Registrant)

Date: November 14, 2024	By:	*/s/ Fredi Nisan* Fredi Nisan Chief Executive Officer (Principal Executive Officer)
Date: November 14, 2024	By:	*/s/ George Oliva* George Oliva Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

Certification of the Principal Executive Officer

Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Fredi Nisan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of RYVYL 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 controls over financial reporting, or caused such internal controls 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: *<u>/s/ Fredi Nisan</u>*
Fredi Nisan
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

Exhibit 31.2

Certification of the Principal Financial Officer

Pursuant to Rule 13a-14(a) and Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, George Oliva, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2024 of RYVYL 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 controls over financial reporting, or caused such internal controls 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. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: *<u>/s/ George Oliva</u>*
George Oliva
Chief Financial Officer
(Principal Financial Officer)

Date: November 14, 2024

Exhibit 32.1

Certification of the Principal Executive Officer

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of RYVYL Inc. (the “Company”) for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Fredi Nisan, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

By:	*/s/ Fredi Nisan*
Name:	Fredi Nisan
Title:	Chief Executive Officer (Principal Executive Officer)

Date: November 14, 2024

Exhibit 32.2

Certification of the Principal Financial Officer

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002

In connection with the Quarterly Report on Form 10-Q of RYVYL Inc. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George Oliva, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

By:	*/s/ George Oliva*
Name:	George Oliva
Title:	Chief Financial Officer
	(Principal Financial Officer)

Date: November 14, 2024